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PUBLIC ENTERPRISE IN LOCAL GOVERNMENT

BY



EDWIN C. FAIRCHILD

Edwin C. Fairchild, Author of "Labour and the Industrial Revolution"; "Political Thought in the Eighteenth Century"; Editor *Municipal Journal* and *Municipal Year Book*, 1927-32. University Extension Lecturer on Economics and English Literature, and in the Literary Institutes, L.C.C. 1921-37.

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FOREWORD

THE W.E.T.U.C. is issuing this series to meet the need for text books which will provide an introduction to modern problems. The aim is to give an outline of facts and to encourage further study. The authors take full responsibility for the views expressed.

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I

INTRODUCTION

IN GREAT BRITAIN many kinds of public authorities are engaged in the supply of goods and services. The British Broadcasting Corporation is of one kind; another type is represented by parish councils. Generally, these authorities were established by Parliament. They arose after lengthy conflict between the public and groups of persons who expected gain if the supply of goods and services were allowed to remain under their control. These public authorities often discharge their duties in ways that are very imperfect. How far they fail, and where they succeed, are matters discussed in these pages. They were intended to promote the welfare of the people. That intention would be nearer fulfilment if the citizens displayed more active interest in public affairs. What follows is an account of public enterprise upon a scale that no other country can present. To remind the citizen of the scope of public enterprise in Great Britain, and of the several ways by which he can aid its improvement, is the purpose of this small book.

There are many questions in dispute between the partisans of private enterprise and those who desire that the electors, acting through a public authority, shall be free to supply their own needs, if they wish. We shall see that the citizen's safety is not yet complete, either on the highways or in his homestead. But so far as he is protected from the dangers of moving traffic, assault, or from insanitary conditions, that protection has been gained by the exercise of powers that Parliament conferred on public authorities. One large question in dispute is whether the consumer, or the producer, is the more effective spur to progressive society.¹ Now that the Con-

¹ Alfred Marshall; *Principles of Economics* (1920) 8th edit. p. 85.

sumer's Co-operative Movement gains additional support so rapidly, that question is reviewed in every working class household. Light is thrown upon it in these chapters. Some kinds of public authority have displayed initiative; others wish to drag along undisturbed by popular feeling or pressure.² Why this difference? Why, for example, do some public bodies move so slowly in improving their school buildings?

It is widely held that citizenship stands in need of popular revival. The machinery of local government fails to win attention from large numbers of men and women who have it in their power to make a useful contribution. Members who long have held their seats on a public authority, are nominated by arrangement and again returned without opposition.³ Democracy cannot continue where a people has lost interest in the way it is governed. Has the time arrived for experiments in new forms of public control? Lord Haldane's Committee on the Machinery of Government reported in favour of advisory bodies, with whom Ministers and the chief officers of Government Departments would be bound to enter into consultation. That principle should have wider application, as Professor Laski contends in his "Grammar of Politics." New blood is called for.⁴ Committees of Passengers, speaking with a voice authorised by law to which the London Passenger Transport Board were bound to listen, would be of positive value. By their suggestions passengers would assist in solving the difficulties that harass the Board and its staff—difficulties that are now an active source of irritation to travellers returning home after the day's work. Along these lines a considerable body of opinion moves. It is not improbable that our administrative system will be compelled to yield to the growing demand for consumer's representation.

² A. M. Carr-Saunders and D. Caradog Jones; *Social Structure of England and Wales* (1927) Ch. XIV.

³ John P. R. Maud; *Local Government* (Home University Library, 1932) p. 78.

⁴ E. R. Hasluck; *Local Government in England* (1936) p. 41.

Meanwhile, it is well to bear in mind that public enterprise has many forms in Great Britain and is widely extended. Nearly all the services that are most important socially are controlled by bodies responsible to the public. Private property has weight in this country; but it no longer rules without restraint. Its authority has been curtailed, but, as these pages show, owners of capital derive advantages from public enterprise as well as wage-earners. A new kind of State is under construction. Its efforts to redress the evils of social inequality are slow and ponderous. Again and again they are frustrated. Those efforts will be more successful when the people are more active in their own behalf.⁵

⁵ H. J. Laski; *Grammar of Politics* (1934) 3rd edit. Ch. 8; for general discussion of advisory bodies.

II

PROMOTION OF HEALTH AND KNOWLEDGE

(a)

PREVENTION OF DISEASE

THE MANY streams of effort concerned to promote health and to prevent disease among the people in England and Wales converge upon, and finally are directed by, the Ministry of Health. Established by Act of Parliament in 1919, its object was then defined. The Ministry was required to concentrate the supervision of the principal health services under the direction of one department of government.

The sanitary movement, of which the Ministry of Health is an outcome, has a long and varied history. In the first third of the nineteenth century conditions prevailing in the new towns which arose in the path of the industrial revolution, were the pure product of unrestrained freedom acting in conjunction with the spirit of greed. Those conditions have often been described.⁶ Government reports of the time were the principal sources whence the Chartists and the reformers drew the materials for their social criticism. In 1842, Sir James Graham, then Home Secretary, received from the three Poor Law Commissioners, George Nicholls, George Cornwall Lewis, and Edmund Walker Head, their famous report on the Sanitary Condition of the Labouring Population of Great Britain.

That historic document was principally the work of Edwin Chadwick, Secretary to the Board of Poor Law Commissioners, one of the minds which gave the impulse required to obtain that body of legislation that

⁶ F. Engels; *Condition of the Working Class in 1844*.

begins with the Public Health Act, 1848. In the report of 1842, by the aid of materials which the Assistant Commissioners supplied after their local visitations, Chadwick was enabled to exhibit the track of fever and cholera in the badly-cleansed portions of Leeds. It was shown that the average age at death of "mechanics, servants and labourers and their families" in Bethnal Green was 16; whilst in the same area "gentlemen and persons engaged in professions, and their families" lived on to an average of 45 years.⁷ Extracts were printed from the evidence of many persons. Some were aggrieved by the unwholesome state of the towns. Others found these conditions to their personal advantage. Mr. John Treble, a contractor for cleansing, and an authority on "the Conversion for refuse of the Metropolis to Productive Uses" said, in reference to the emptying of cesspools, that "one hindrance to any removal to a distance is, that, by the police regulations, cesspools can only be emptied in the night within certain hours. This prevents cartage to any great distance, and cartage is very dear. Some nightmen have paid 6d. per load for the liberty of depositing it. The object of the nightmen is to get rid of the soil early, and return with the cart to complete the emptying in one night. Formerly, before the new police were so much about, the men would empty the cart in any bye street or place where they could."⁸ An outbreak of cholera in 1848 induced the Government to pass the Act establishing the Central Board of Health.

Ten years later, central authority was transferred to the Privy Council and the Home Office. But in 1871 the Local Government Board was constituted, in anticipation of the important Public Health Acts of 1872 and 1875. By this legislation boards of health in towns were made compulsory and their powers, in respect of sanitation, were extended. In rural areas, where sanitary

⁷ *Report from the Poor Law Commissioners on an Inquiry into the Sanitary Condition of the Labouring Population of Great Britain*, 1842. p.159.

⁸ *Ibid.* p. 381.

authorities had not as yet been appointed, boards of guardians were called upon to act as custodians of the public health—an office they continued to fulfil till the Local Government Act, 1894, constructed the Rural District Council.

Between 1871, when the Local Government Board assumed the central direction of local health activities, and 1919, when it was succeeded by the Ministry of Health, many changes in the form and range of local government were effected. Thus in 1882 the important Municipal Corporations Act was passed, a measure which enabled the principal urban authorities to extend their trading undertakings as their boundaries were enlarged. In 1888 the creation of the county councils, by Lord Ritchie's Act of that year, completed the scheme of control and relationships between the central departments of government and every type of local authority. In Wales the Welsh Board of Health discharges functions of a kind performed by the Minister's officers in England. Corresponding duties, north of the Tweed, devolve upon the Department of Health for Scotland, created by the Reorganisation of Offices (Scotland) Act, 1928.

Ministerial Powers

The major part of the sanitary work of the local authorities is supervised by the Ministry of Health by means of sanction, by the control and limitation of their financial transactions, and through the action and reports of the Ministry's inspectors. In the first instance, after preliminary decisions by the council concerned, the Minister of Health, by consent, by rejection, or by modifications which his staff proposes, has the decisive word in respect of schemes of drainage, water supply, cleansing, housing, general sanitation, and the provision of baths and wash-houses. These are matters which closely affect the health of the community. Though it would be inaccurate to contend that the larger county boroughs, for example, have required persistent spur from the Ministry of Health before their sewerage schemes

were extended to meet the growth of population, the Ministry has had occasion to press local authorities in areas where rateable values do not provide such ample revenues.

The deficiencies which arise in districts where the yield of the rates is small present a formidable problem for the Ministry, as we perceived, recently, in regard to rural water supplies. The expense entailed by the preservation of the public health under these conditions is unequally distributed; while the services supplied necessarily differ in their quality. Within the limits which this system imposes the Ministry's efforts are directed towards the general recognition of a minimum code of cleanliness and caution, below which none of the authorities shall be permitted to fall.

The Ministry's requirements are, therefore, more positive in relation to the prevention of particular diseases. Under several Acts the principal infectious diseases⁹ are notifiable, and a local health authority can, with the Minister's approval, add to their number. From time to time the Chief Medical Officer of the Ministry of Health has complained of the dilatory manner with which some local authorities discharge their duties in this regard.¹⁰ The provision of isolation hospitals, the prevention and treatment of tuberculosis and welfare work for mothers, children and infants, are among the more important responsibilities of local authorities in which the Ministry participates by supervision and the systematic comparison of results achieved in different areas.

(b)

PARKS AND OPEN SPACES

Of the services which directly aid the promotion of public

⁹ Infectious Diseases (Notification) Act, 1889; Infectious Diseases (Prevention) Act, 1890; Isolation Hospitals Acts, 1893 and 1901; Public Health (Prevention and Treatment of Disease) Act, 1913.

¹⁰ *Report of the Chief Medical Officer of the Ministry of Health, 1930.*

health parks and open spaces are important constituents. The Royal Parks, a portion of the Crown lands, have been in part accessible to the public for centuries. With that exception the communal provision of lands for public recreation, and of playing fields, was almost unknown until the larger part of the ancient commons had been enclosed as private property. That process was substantially complete by 1845. By that year the 1,165 Acts for the enclosure of common pasture and waste which Parliament passed since 1727, had removed from public use almost all the open spaces of the manors.¹¹

Utilitarian principles were then predominant in legislation and in morals. In the new towns which sprang into being at the bidding of machinery and the export trades, to reserve a piece of open ground for play was an offence. Work was the proper function of man; every piece of land should be cultivated, or serve to provide the foundations of a cotton mill. In Manchester there were "no public walks or places of recreation . . . either for the youthful or the adult portion of the community."¹² A committee of physicians and surgeons at Birmingham reported, "there are no public walks in or near the town."¹³ "In the rural districts the children and young persons . . . have frequently no other places for recreation than the dusty roads . . . or the narrow and dirty lanes, and accidents frequently take place from the playing of children on the public highways. If they go into the fields they are trespassers."¹⁴

When "walks" were provided the principles governing their supply were utilitarian. Walks and gardens were not to proffer the freedom of lost commons, or to provide a playing field for boys. At Derby, when the Arboretum was planned for "walks," Mr. J. C. London held that a "common pleasure-ground would become insipid after

¹¹ Gilbert Slater; *The English Peasantry and the Enclosures of Common Fields*, Appendix A.

¹² *Report, Sanitary Condition*, 1842 (see Note 7).

¹³ *Ibid.* p. 276.

¹⁴ *Ibid.* p. 277.

being seen two or three times."¹⁵ He proposed a collection of trees and shrubs, with their names attached at such height above the ground that visitors would not have to "stoop down, which, when repeated several times, would soon, instead of a recreation, become very fatiguing."

An Important Committee

A change of view as to the worth of open spaces is marked by the appointment, in 1865, of a Parliamentary Committee on the Preservation of Forests, Commons, and Open Spaces near London.¹⁶ Its report was followed by the formation of the Commons Preservation Society, and to that body the subsequent extension of open spaces in the neighbourhood of London, and in provincial cities, is in great part due. Its labours have inclined the minds of many wealthy owners to part with land, for playing fields and recreation grounds, on terms which the local authorities could accept without a rate-charge too onerous for public opinion to endorse. In recent years the National Playing Fields Association has added strength to the movement in favour of sports grounds as an integral part of every open space of more than very limited area. The list of parks and playgrounds annually supplied by about 400 local authorities¹⁷ show that the areas maintained by councils, or within their boundaries though not maintained by grants from rates, vary from 1 acre at Maidenhead, to 3,120 acres at Leeds.

Nevertheless, it still remains an urgent matter that playing fields should be provided for elementary schools in towns and built-up areas; and that the proposal to close certain streets to motor traffic so that they are used as "play streets," is not allowed to take the place of a demand for more open spaces and sportsgrounds. The minimum requirements of public open space is five

¹⁵ *Report, Sanitary Condition, 1842* (see Note 7).

¹⁶ Lord Eversley; *Commons, Forests and Footpaths* (1910) p. 19.

¹⁷ *Municipal Year Book*; annually.

acres per 1,000 population, and, in addition, three acres for use as private sports grounds. In the densely crowded Metropolitan Borough of Shoreditch there is one acre of open space to each 11,580 of the population; in Finsbury each 6,350 persons have one acre for their recreation. Though the Sixteenth Report of the Ministry of Health states that "the importance of providing open spaces and playing fields is being increasingly realised by Local Authorities," there is very ample room for greater activity in that direction.

(c)

HOUSING

On January 1st, 1937, the Housing Act, 1936, came into force. By that statute there is consolidated the Housing Acts 1925, 1930 and 1935, and certain passages in other enactments so far as they relate to housing. Under its provisions byelaws can be made, by local housing authorities, as to houses occupied by the working class; and, as in accordance with the earlier Public Health and Housing legislation, the local authority is required to supervise the sanitary condition of dwellings within its area. Schemes for the clearance of certain areas, and for the re-development or improvement of others, can be applied. Obstructive buildings can be removed. Provisions are made by the Act for the reduction of overcrowding, which the housing authorities are to observe. In its financial aspects the Act empowers local authorities to bear, from rates, a proportion of the expense incurred in building and maintaining the dwellings inhabited by municipal tenants. It also stipulates the sums which the Government will contribute towards the cost of rehousing persons displaced by clearance and improvement schemes, and the amounts of other kinds of grants which the Government is to pay where the price of the land, used for the erection of tenements, exceeded £1,500 per acre.

Under Section 93, a local authority or a county council can assist to form an association for erecting houses for the working classes. This assistance may be by grants or loans; or by guaranteeing the payment of the principal or interest upon any money borrowed by the housing association. One possible development, which may become important with the passage of time, is the action that may be taken under Section 87 of the Act. It is there provided that a local authority, with the Minister's approval, can transfer, to a Housing Management Commission, its functions relating to the management, regulation and control of the working class houses erected by the council. These provisions, in conjunction with the power to aid public utility organisations, registered as housing associations not trading for profit and paying a rate of interest on capital not in excess of the rate prescribed by the Treasury, should open the door to many useful experiments in the management and administration of housing estates in various forms of public or semi-public ownership. The Sheffield Corporation has already decided that part of its estates shall be transferred to a Management Commission.¹⁸

First Housing Act

The public conscience seems first to have been moved to display a mild interest in the Housing question by the appointment of the Royal Commission on Housing in 1884. Before that body Lord Shaftesbury submitted evidence upon his long acquaintance with the conditions of life prevailing among underpaid and casual workers. In 1890 the first of the specific Housing Acts was placed upon the statute book. It was under the powers authorised by that enactment that the London County Council carried out some of its earlier schemes, notably the cottage housing scheme at Tottenham. But the problem of slum clearance had long been pursued in a desultory manner when Mr. Greenwood brought in

¹⁸ Hon. Douglas Meston; *The Housing Act*, 1936; for review of the Act generally.

his Housing Bill of 1930. After considerable amendment, very forcibly affecting the financial provisions of the original Bill, it finally received the Royal Assent in August 1930, and fourteen days later became operative.

The Housing Act of 1930, as already stated, is embodied in the consolidating Act of 1936. Its main provisions were not changed by that process of re-enactment and coordination with other existing legislation on the Housing question. Its principal purpose is to facilitate the clearance of slum areas; and to avoid the deterioration of other areas, where there is already some decayed property, to the condition of new slum areas.

After a positive contribution to the promotion of health which the Act made possible by the procedure it defined in regard to the demolition of insanitary properties, the large-scale clearance of certain areas, and for schemes of re-development, its most important sections are concerned with subsidies towards the cost of housing, payable by the Government and local authorities respectively. With the conclusion of the War it was generally admitted that the system of charging municipal tenants the whole expense incurred by their housing, could not be continued. Under the Housing legislation anterior to 1914 it had been the general rule to charge the tenant a weekly rent sufficient to cover the cost of the land, its development by means of roads and sewers, the expense of constructing the house and its maintenance, and also the interest on the money borrowed for the housing scheme. The loan would be borrowed for a term of years. The rents were so calculated that they should have covered all the charges that were payable by the time the loan fell due for extinction by repayment. In other words, if the tenements or cottages which composed the municipal housing estate were fully occupied, and if the rents had been paid with regularity, when the loan periods ended the houses would have been purchased by the tenants. But they would not be the tenant's property.

Forthwith they became an unencumbered property owned by the local community.

Before 1914 sixty years was the maximum period for which housing loans could be borrowed. In many parts of the country houses that were built more than forty years ago will remain in occupation long after the loan has been wholly repaid. The houses will then be a public property as described above; and the rents will be a public profit. The system is an evident advantage to the ratepayers. Whether it is defensible in ethics is a matter which may take a large place in local government discussions in the future.

The Rents Question

Not in every case, however, were the local authority's powers to fix the rent decided in the rigid manner we have outlined. Before 1914 there were instances where the cost of land had not been charged to the housing scheme; other examples provided that the expense of sewerage, and of roads construction on the housing estate, should be borne by the rating district as a whole. In still other cases the cost of maintaining the properties was not fully charged to the tenants; and in the accounts of some few municipal housing schemes interest on the loan was not debited against the tenants when their rents were determined. These exceptions were minor and generally slender concessions to the principle, then affirmed by some housing reformers, that municipal rents should not be higher than enough to cover the cost of building and maintenance of the property, spread over the whole period for which the dwelling could reasonably be expected to be habitable. That principle was a partial admission that municipal housing could only be provided at rents within the means of the persons housed, if the economic rent were paid in part by the community. Before the War that principle had been resisted. When the War concluded it had become the only possible basis on which municipal housing could continue.

Building materials were expensive. Food prices and the cost of clothing had risen to excessive heights, with the consequence that, wages not being correspondingly increased, the proportion of the family income available for rent was diminished. Wherever personal means had improved as a result of extra earnings, larger profits, or gratuities for war service, a desire emerged to own a house and a garden. Great landed estates in the neighbourhood of large towns, for centuries used as pleasure grounds for their wealthy owners, were broken up into small building sites. The capital value of land rose by leaps and bounds. Meanwhile the demand for houses to be let to the working class became more incisive. Governments could not fail to hear its emphatic tone. The old financial methods were necessarily abandoned. Housing could continue only if it were subsidised from public funds. A new area of public enterprise was at hand.

Rents and Rates

Under the first of the post-war Housing Acts passed in 1919, and generally known as the "Addison Act," local authorities were required to make no larger contribution to deficiencies on their schemes, which the rents did not cover, than the amount brought in by the imposition of a penny rate. The balance of the deficiency was provided by the Exchequer. From the commencement of the operation of this Act of 1919 to the end of the financial year, 1936, contributions from the Exchequer under its provisions, amounted to £102,883,000.

Housing Acts of 1923 and 1924 varied the method of subsidy payments. Annual contributions, of fixed amounts, over a period of twenty years, subsequently increased to forty years, were to be forthcoming from the Exchequer; the remainder of the deficiency being made a charge on local rates. But a new principle was introduced, at a later date much enlarged in its scope. Where slum clearance schemes were carried out a special Exchequer grant, not exceeding 50 per cent of the average annual loss, was made available to the local housing authority.

Still the removal of the slums was delayed. The cost was still too heavy for local authorities to undertake, without imperilling the electoral fate of the councillors who responded to the Government's invitation.

The Act of 1930 was constructed, therefore, specifically to deal with the slums. Hitherto annual grants from the Exchequer had been based upon the number of houses provided, or upon a division of the loss incurred by the local authority. Under the new Act the grants were dependent upon the number of working class persons displaced, with an additional grant where the cost of land had been exceptionally high.

Overcrowding

The Housing Act of 1935 completed the legislative programme by insisting upon the need for the reduction of overcrowding. Revision was made of the method of grants based upon the number of houses or tenements provided, but the Exchequer payments per head, for each person displaced, were continued.¹⁹ For the first time an attempt was made to define overcrowding (Schedule 1) and in November, 1935, the Minister issued a circular informing local authorities of the duties he required of them. They were to complete the inspection of all working class houses in their respective areas by April 1, 1936; to submit a report to the Minister on the results of that inspection not later than June 1 following; and by August 1, 1936, they were required to submit proposals for the provision of any new houses necessary to abate overcrowding.²⁰ The Minister's requirements of housing authorities in the County of London were slightly varied, but were no less peremptory in their nature.

When the Report on Overcrowding was issued returns had been received from 1,472 of the 1,536 housing authorities in England and Wales. The collected forms dis-

¹⁹ *Housing Finance* (1935) p. 7.

²⁰ *Report on the Overcrowding Survey in England and Wales*, 1936; p. 78.

closed that 8,924,523 dwellings had been inspected; of that number 341,554 were overcrowded; a percentage of 3.8 of working class families in England and Wales. Had the legal definition of overcrowding provided that any part of the common living-room accommodation should not be used for sleeping purposes, the number of overcrowded families would have been 833,000 instead of 341,554—a fact that reveals, forcibly, the close proximity to the grossly evil conditions, now made illegal, in which a large part of the population will continue to live after the clearance schemes are completed. The worst examples, as areas, are the East End of London and the North-East Coast. Together, the administrative County of London and the geographical counties of Northumberland and Durham contain 40 per cent of the overcrowded families of England and Wales, though their population does not exceed 16 per cent of the country. Shoreditch and Stepney had the highest percentage of overcrowded families among London boroughs—17.2 and 15.4 respectively. In Sunderland the proportion was 20.6; in Gateshead 15.2 per cent. But of all administrative areas Hebburn Urban District returned the most alarming figures. In that grim part of Durham 25.2 per cent, rather more than one-fourth of its families, lived in conditions of overcrowding at the relatively low standards of the Act of 1935.

Scottish Survey

In Scotland a corresponding survey was undertaken with a view to the preparation of schemes for the relief of overcrowding before the end of the year 1938. Rather more than 1,024,000 dwellings were inspected: 240,961 (23.5 per cent) were overcrowded by 269,758 families. Most of the families in that condition lived in one- or two-roomed apartments. A note of irony creeps into the reports which state that 34,560 cases of overcrowding were in dwellings provided by local housing authorities. It was estimated that if all existing houses were utilised to their best possible advantage, 71,973 dwellings of three

apartments were required; 64,770 of four apartments; and 14,330 of five and over. The local authorities proposed to complete 54,756 houses between 1936-38, of which the Glasgow Corporation would erect 15,300.

Space forbids elaboration of the need of public housing which still remains, despite the activities of the last few years. A rapid survey of some principal facts must suffice. By the end of September, 1936, the total houses erected in England and Wales, since 1919, was 3,150,000. Of that number the State provided financial assistance towards the erection of 1,312,000. In 1935-36 approximately 63,000 houses or tenements were completed by local authorities, compared with 43,300 in 1934-35, and 53,400 in the year preceding. In Scotland the number of dwellings erected with State assistance since the War (1919-1936) was 213,158. Figures from the Scottish overcrowding census, set out above, show that Scotland still requires nearly three-fourths as many dwellings as the authorities erected with State aid in the eighteen years which have passed since termination of the War.

Government Grants

In respect of the demolition of insanitary property, and of clearance or improvement schemes carried out under the Acts of 1935 and 1936, the Government contributed 45s. per head for each person displaced and rehoused, for a period of forty years in urban areas, and 50s. per head in agricultural areas. Where the cost of land, in a clearance area, exceeds £3,000 per acre, and the persons displaced are rehoused in buildings of more than three storeys, a larger grant of £3 10s. annually in respect of each person, is paid by the Government. In practical result this provision has not only tended to increase the number of tenements provided; it has been a principal factor contributing to great increase in the selling values of land, much to the advantage of owners in all large towns. If the new buildings are blocks of

flats on sites costing more than £1,500 per acre, and if they were required for the abatement of overcrowding, or were rendered necessary by displacements arising from re-development, in respect of each flat, for forty years, the Exchequer is to make a payment according to a scale in the Sixth Schedule of the Act.

To illustrate the amount of financial aid, and the final result in terms of profit or loss, as stipulated by the Sixth Schedule, we assume that the land was purchased at £9,000 per acre, and that five-storey three-roomed tenements are erected at sixty to the acre. The annual Exchequer grant for forty years would be £10. The local authority would also be required, for the same period, to make an annual grant from rates of £5. The assumed cost of the site for each flat is £150; for the building, fees and incidentals, the cost is placed at £363. The rate charge on each flat is calculated not to exceed 2s. 6d. weekly. If an inclusive rent of 10s. for three rooms is paid, 2s. 10d. could be appropriated for running expenses of management, water and repairs, leaving 4s. 8d. weekly towards the repayment of loans and interest at $3\frac{1}{4}$ per cent, spread over a period of sixty years. These figures would yield a surplus, on capitalisation, of 2s. weekly.²¹ On these terms it pays the community to house its least fortunate members, the exorbitant price of land notwithstanding.

Interest Charges

Reference has been made to the expense incurred by loans. The provision of cheaper money for public enterprise is an imperative need. The Sixty-first Annual Report of the Public Works Loans Board shows that amounts due to that body, advanced for housing purposes, were loaned at high rates of interest. The following table indicates the heavy interest borne by many smaller housing schemes. The figures relate to the Public Works Loans Board issues at March, 1936.

²¹ *Housing Finance*, p. 11.

<i>Amounts outstanding</i>	<i>Rates of interest at which loans were borrowed, and were still being paid</i>
£	
42,958,000	6½ per cent.
25,330,000	6 „ „
6,560,000	5½ „ „
2,277,000	5¼ „ „
58,838,200	5 „ „

Among the considerations which seem to animate successive governments and the Public Works Loans Board, in their high interest policies on housing loans, is a desire to encourage the growth of building societies. A building society does not build; it is a money lending organisation. Within a limit of £5,000 from each depositor, a building society receives deposits of money, as share capital, withdrawable on demand in small amounts. On time accounts it can receive large sums of cash subject to withdrawal by notice over prolonged periods. On these deposits interest is paid to their owners. The society lends a portion of that cash to persons who, wishing to buy a house and having some money of their own, desire to borrow the remainder of the purchase price. The rate at which the society lends is, perforce, higher than that which it pays to depositors. Hence, when the local authorities, soon after the War, began extensively to exercise their powers to lend money for house purchase, at moderate rates of interest—powers conferred upon them by the Small Dwellings Acquisition Acts, much opposition was encountered from building societies.

Thrift and the Loan Charge

From January, 1919, to March, 1936, local authorities, in England and Wales, advanced £92,400,000 for this purpose. Building societies gained a substantial success when the Housing Act of 1935 was in course of passage through Parliament. The freehold value of houses in

respect of which local authorities could advance money was then reduced from £1,500 to £800. But for this advantage which the organised money lending of the building societies then procured, municipal loans for house purchase would have been much larger in amount than is at present the case. Small houses would then have been obtainable at lower prices. But depositors in building societies—the demand for monetary accommodation from that quarter being reduced—would not have obtained the relatively high rates of interest they now receive. Neither their methods, nor their political action in relation to their finance, can be defended on the ground that building societies provide a ready means of borrowing for persons of small means. The economic consequence of their acts is to raise the rate of interest paid to thrifty persons, by restricting the equally thrifty but less fortunate borrowers' opportunity to have recourse to municipal aid which, but for the building societies, would have been available on a much wider scale.

The extent of public housing enterprise is made clearer by the statement that between 1919 and March, 1936, the total Exchequer contributions amounted to £164,489,600. Far greater even than that huge sum, is the financial responsibility for housing incurred by the local authorities of England and Wales. At March 31, 1934, the latest date for which corrected figures are available, the total outstanding housing debt of the local authorities was £525,811,000. Charges in respect of loans, in 1933-34 amounted to £30,956,000. From this vast national housing estate, held in plurality, the income during that year from rents, fees and recoupments, was £26,843,000. Grants from the Government made a total of £13,148,000; while contributions from rates amounted to £2,616,000.²² In no other country has the public provision of the most important constituent of private health, after food, been carried over so wide a field.

²² *Local Taxation Returns, 1933-34; Part III. p. 78 et seq.*

Differential Rents

Among the powers of housing authorities which now permit more room for experiment is the freedom to charge differential rents in accordance with the tenant's means. Section 83 of the Housing Act, 1936, deals with the management of houses. Rents are to be reasonable. They can be varied between one tenant and another though the accommodation provided be similar. But the aggregate rents of the scheme, as a whole, must not exceed the annual expenses after allowing for subsidies from rates and from the Exchequer. Thus, if the estate consists of 200 houses, and the aggregate income should be £80 weekly, the average rent would be 8s. But 100 families may be able to pay 9s., and the other 100 not more than 7s. At Wolverhampton, for example, where 3,563 persons who were displaced by clearance schemes have been rehoused, the Corporation adopts a scale of rental charges fixed by reference to the householder's total income and outgoings, varying, according to type, from 3s. 9d. to 8s. 4d. weekly. In no case does the allowance of rent relief exceed the difference between the maximum and minimum rent by more than 5s.²³

A grave drawback affecting many housing schemes is the almost total lack of provision to meet the social and recreational needs of residents. Under Section 107 of the Housing Act, 1925, local authorities could erect public halls upon their housing estates. In few instances was that permission applied. The Act of 1936 repealed the whole of the Act of 1925, and unfortunately, no new section granting the power to build a hall was embodied in the consolidating Act. By that omission the dreary, listless air which hangs like a pall over the monotonous streets and closes of the larger municipal estates, received elements of permanence. The estate planned as a physical thing is debarred from growth into a spiritual reality. What should be a unit of social life and a neighbours' guild, becomes an engine of depression. A courageous effort to fill the breach is made by the New

²³ *Municipal Year Book*, 1937; p. 327.

Estates Community Committee of the National Council of Social Service. By voluntary effort halls have been erected, and the residents assisted to develop for themselves activities which are of value to the community.²⁴

TOWN AND COUNTRY PLANNING

The Ministry of Health Manual defines the object of a town planning scheme as the provision that development when it takes place, shall proceed along lines already prepared, and in the interests of the community as a whole. The interests of landowners as well as of tenants, of commercial and industrial undertakers as well as of residents, are assumed to be susceptible to mutual adjustment. In the first instance the law relating to planning was embodied in the Housing Acts passed in 1909 and 1923; it was next consolidated in the Town Planning Act of 1925. That legislation was repealed by the Town and Country Planning Act, 1932.

The provisions of that statute do not permit any wide extension of the public domain. Nor have the authorities constituted by the Act been zealous, in pursuance of the powers which it confers, to plan the future disposition of roads, open spaces and buildings. The extent to which "ribbon development" on main roads has been allowed, gives cause for condemnation of the way the Acts are administered. Analysis of the Interim Development Orders, by which control is at present mainly exercised, shows that in 1935-36 a smaller proportion of the land zoned for various purposes was allotted for use as private open spaces and agricultural land.

In 1935 the Ministry issued a series of Model Clauses for the guidance of town-planning authorities administering the Act of 1932. These were based upon provisional clauses revised in the light of recommendations by the Advisory Committee on Town & Country Planning. Early in 1937 these Model Clauses were again revised with special reference to the erection of flats.

²⁴ *New Housing Estates and their Social Problems* (1935).

At March 31, 1936, the date of the latest return, a report as to the number of schemes, preliminary statements and resolutions submitted, prepared, or passed by town-planning authorities, indicated their lethargic character. Not more than 72 schemes were actually operative in England and Wales. In rural district areas laxity is especially pronounced. Conflict between Planning authorities regarding the future of the South Downs was compensated, in some degree, by the action of the London County Council in 1935. In that year it was resolved to co-operate with local authorities on the margins of the administrative area of the L.C.C. The policy is to provide a belt of open spaces within a radius of about thirteen miles from Charing Cross. For that purpose the London County Council will aid other authorities to purchase land, or procure its sterilisation against building, by an expenditure up to £2,000,000.

(d)

HOSPITALS AND WELFARE WORK

Since the year 1875 local sanitary authorities outside the Metropolis had possessed, under the Public Health Acts, power to establish general hospitals apart from infirmaries, then integral to the work of Poor Law Guardians. But few authorities exercised that power. The Metropolitan Asylums Board, superseded by the London County Council in 1929 in accordance with the Local Government Act of that year, had performed an urgent public duty in protecting the metropolis from infectious disease; and in 1894 the Legislature resolved that the receipt of medical aid at the hands of the Poor Law Authority should no longer be a cause for disfranchisement. But until the reconstruction of local government in 1929, almost every kind of medical or surgical assistance, other than treatment for infectious diseases and tuberculosis, was still tainted with the Poor

Law, or at the dispensation of hospitals which relied upon charitable aid for their support.

By the passage of the Local Government Act, 1929, the administration of the Poor Law was transferred to County and County Borough Councils. Those Councils were then empowered, if they wished, to withdraw infirmaries from the orbit of the Poor Law and to place them under the Public Health Acts for administrative purposes.²⁵ The Councils were accorded much latitude. If they wished to yield to the opprobrium in which the Poor Law was held among the working class, the Councils were free to deal with the destitute in the same way as, hitherto, they had dealt with persons where hospitals had been established; or as persons had been treated under the schemes for aid in respect of tuberculosis, maternity and child welfare, mental deficiency, blindness, and the medical inspection and treatment of school children. But they were under no compulsion to remove the treatment of the sick from the region of the Poor Law. While this freedom is a concession to self-government, in operation it has been applied to preserve a system which the Local Government Act authorises the electorate to destroy, if its members will.

The point is of importance to the wage-earner. Under Section 14 of the Poor Law Act, 1930, the historic Poor Law definition of the family is reaffirmed. It is the "duty of the father, grandfather, mother, grandmother, husband or child, of a poor, old, blind, lame or impotent person, or other poor person not able to work, if possessed of sufficient means, to relieve and maintain that person." A married woman having separate property bears equivalent responsibility. From all persons within the affinities indicated the Poor Law authority can recover the cost of maintenance. But the Councils of Counties and County Boroughs can, as already stated, by resolution withdraw the infirmary—henceforward to be called the hospital—from the area of the Poor Law. Having done so, they can if they wish, narrow the section of the con-

²⁵ Randolph A. Glen; *Local Government Act, 1929*; p. 2 *et seq.*

sanguineous family upon whose members they call for contribution towards support of the person assisted. In other words, it is in their discretion whether a general medical service shall be sustained by the public for the promotion of its own welfare; or whether a sick person, or his relatives to the third generation, shall be penalised for the failure of his health. By the former policy a charge upon the rates might be incurred; by the latter, payments from the ratepayers, as a body, are reduced.

Scope of the Poor Law

Inquiry into the practical use of these discretionary powers throws light upon the minds of the majority of the members of County Councils. By December, 1934—the Act then having been in operation for nearly five years—in the L.C.C. area there were 21 institutions or hospitals under the Poor Law Act, containing 6,882 sick beds. In the areas of other county councils of England and Wales the corresponding number of institutions and hospitals still under the Poor Law was 387, with 43,841 sick beds; and in County Boroughs 71, with 29,343 sick beds. We turn to hospitals withdrawn from the Poor Law, administered in accordance with the Local Government or Public Health Acts. Under the administration of the L.C.C. there were 40 such general hospitals, containing 21,210 sick beds. Other county councils in the whole of England and Wales had withdrawn only 2 hospitals from the ambit of the Poor Law, with 220 sick beds. In county boroughs where it is not so easy to rule with indifference to popular opinion, the situation was not so redolent of repression; but it stood in need of improvement. County boroughs reported 38 general hospitals under the Local Government and Public Health Acts, with 21,588 sick beds.²⁶ It would seem that county councils, and in less degree some county boroughs, give aid during illness under conditions that are intended to protect the owners of property.

²⁶ *Report of the Ministry of Health, 1934-35.*

For the treatment of tuberculosis 260 institutions, controlled by county councils and county borough councils, provide 2,500 beds. In a normal year about 300,000 cases, reported under byelaws for the notification of the principal infectious diseases, are treated in isolation hospitals which county and county borough authorities maintain. In this department of public hygiene treatment is free. If charge were made, however small, some would seek to avoid that expense. The health of the community would be imperilled, and the ultimate cost, without allowance for needless suffering, would entail the financial and moral ruin of the nation. The number of registered blind persons is in the neighbourhood of 65,000. Sixty-one local authorities have resolved that domiciliary assistance to blind persons shall not be regarded as poor relief. But small use of the powers under Section 67 (b) of the Poor Law Act, 1930, has yet been made for aiding the deaf and dumb. Upon that unhappy group of persons all local authorities spend less than a thousand pounds annually.

Welfare Work

By December, 1935, 377 local authorities had adopted schemes of maternity and child welfare. A steady development of their work proceeds among mothers and young children. Year by year the number of expectant mothers who submit themselves for medical examination increases. The demand grows for maternity beds in institutions, a circumstance warranting belief that conditions attendant upon birth are now a subject of progressive improvement. The number of children under one year of age attending Centres, like the numbers of older children with whom the Clinics are in touch, increases rapidly. Many factors affect the rate of infant mortality, but it cannot be gainsaid that maternal care and knowledge makes an important contribution. Maternity and Child Welfare schemes fulfil a necessary part in that connection and in 1936 the infant mortality rate of 57 per 1000 births was the

lowest on record. A circular issued by the Ministry of Health in May, 1936, enlarged upon the need for attention to the health of children between the ages of 18 months and 5 years. Sixteen in every hundred children entering the schools suffer from a disease or a defect. Co-operation between the Health and Education Departments of local authorities requires assiduous cultivation.

(e)

SCHOOLS AND EDUCATION

Education in Great Britain is remarkable for its varied institutions. Long before the State accepted the responsibility voluntary agencies established several types of school. In the Middle Ages education was provided by the Church. At the Reformation a relatively small proportion of the funds and property of ecclesiastical authorities was devoted to the endowment of Grammar Schools. In the eighteenth century the education of children of working class parents was divided between the school kept by an ancient dame, charging two or three pence weekly, and charity schools, founded upon a view of education that, partly religious, was designed to inculcate the duty of willing subordination. These adventures in education were promoted privately; attendance was voluntary, and, apparently, highly irregular.

A new principle emerged with the growth of the factory system. By Peel's Factory Act, 1802, employers were required to provide instruction in reading, writing, and arithmetic for their apprentices, and others, supplied by the Poor Law Authorities and employed in cotton and woollen mills. It soon became almost inoperative. Changes in the system of manufacture reduced the demand for parish children. Near the middle of the nineteenth century further efforts to establish schools in factories failed owing to disputes on religious in-

struction. An instance is the Factory Bill of 1843, which proposed that children under eight years of age should not be employed more than six and a half hours daily, and that a part of each day be spent in a school either in, or outside, the factory. The Bill would have created the public elementary school maintained by rates, nearly thirty years before its actual establishment, but it was withdrawn and reintroduced with the educational clauses cut out.

Primary Schools

While Peel's small experiment in compulsion proved ineffective, Robert Owen (1771-1858) founded the first infant school at New Lanark; children were admitted at the age of three and cared for while their parents worked in the mills under Owen's management; and there were other similar pioneering efforts. Powerful impulse to the provision of primary schools was given by the formation of the British and Foreign School Society (1808) and the National Society for Promoting the Education of the Poor in the Principles of the Established Church (1811). The monitorial system was adopted, primarily for economy, but also because at that time few teachers were forthcoming. About 1825 both the "British" and the "National" Societies began to develop schools of higher elementary type; geometry, French, and music were introduced. Middle schools approximating to the ancient Grammar Schools, were established by the National Society before 1840; the Wesleyans followed suit; and by 1852 Matthew Arnold could report that the pupils in attendance were not drawn from the very poor. They came from a more prosperous class where parents were prepared to allow their children to remain at school until a later age. The demand for higher popular education was rising. A stimulating cause was the need for teachers in the voluntary primary schools.

This growth in public interest was reflected by the appointment of a Royal Commission to report upon

"the extension of sound and cheap elementary instruction to all classes of the people." It reported (1861) that the initiation of popular education by religious bodies had been justified; but it recommended that county and borough boards of education be promoted, with power to levy rates to aid educational efficiency. On that idea Lord Palmerston's Government performed a variation. A system of money grants had been instituted in 1833. The regulations controlling these contributions from national funds were revised. Henceforward, grants were to be paid in accordance with attendance, but subject to reduction on failure in reading, writing, or arithmetic. This pernicious mode of payment by results continued, with modifications, till 1900 when the block grant system was introduced.

School Boards

Under the Education Act of 1870, in places where the voluntary system had failed to provide adequate facilities, School Boards were set up elected by the ratepayers, but under the supervision of a central Government department. Ten years later attendance at school was made compulsory. In 1891 school fees were abolished in provided schools, and an additional grant to the local School Board of 10s. per scholar took their place. In 1897, voluntary, non-provided schools, similarly received an additional grant from the Government of 5s. per scholar, and were exempted from assessment for rates.

Meanwhile, the number of pupils remaining at school up to and beyond the age of 13 had gradually increased. To meet the conditions prevailing towards the end of the nineteenth century, some authorities—Sheffield, Manchester, Brighton, and others—established higher grade schools. These experiments in the organisation of central schools were cut short by the decision of the Court of Queen's Bench (the Cockerton judgment, 1901) against the London School Board, which, it was decided, had incurred an illegal expenditure by

educating children on lines not stipulated by regulations under the Education Acts.

To save these higher elementary schools the Board of Education intervened, authorising the payment of higher rates of grant. But the situation arising from the Cockerton ruling was not to be met by administrative manoeuvre. For years a vigorous demand for technical and secondary education had been growing. The Technical Education Act of 1889 enabled county authorities to aid, or supply, higher education up to a rate of 1*d.* in the £, and in the following year a portion of the Excise Duties had been assigned as a grant in aid of technical education. The time had arrived for reconstruction of the system.

The purposes of the Education Act, 1902, were several. School Boards were abolished. Their powers in respect of elementary education were transferred to local government authorities. The fabric—the building itself—of the schools, voluntarily provided for public education, was to be supplied and kept in repair by the denomination, as formerly; but all other expenses of voluntary schools of this type were to be borne by rates, or by grants from taxation. County and County Borough Councils became responsible for the provision of suitable facilities for secondary education. Later Acts empowered local education authorities to provide meals, undertake the medical treatment of pupils and attend to the special needs of defective children. This structure remained without substantial alteration until the Education Act, 1918, in an eloquent preamble, declared the fundamental purpose of our educational system as “the progressive development and comprehensive organisation of education available for all persons capable of profiting thereby.” The Education Act, 1921, consolidated the existing Acts from 1870.

A Public Elementary School as defined by the Education Act, 1921, must be open to inspection, and conducted in accordance with the Code of Regulations

for the time being. Attendance is not compulsory until the age of 5. Every child in England and Wales is liable to be retained at school till the end of the school term in which he attains the age of 14. Under the Education Act, 1936, the school-leaving age at September 1, 1939 (or earlier at the option of the local authority) will be raised to 15, subject to exemptions.

There are two types of Public Elementary School: (1) Council or Provided Schools, provided and maintained by the L.E.A.* from local rates and grants from the Government; (2) Voluntary or Non-provided Schools, where the building has been provided—and must be maintained—by religious or other bodies. All other expenses of the school are defrayed from rates and grants from the Government.

Certified Special Schools for Blind, Deaf, Defective, and Epileptic children are described by their title. They are maintained by the L.E.A. and are eligible for Government grants. The age for compulsory attendance of blind and, under the Act of 1937, for deaf children is 5; for others in these classes, 7. About one-third of the Certified Special Schools are voluntarily maintained.

Secondary Schools

A Secondary School is a school for pupils who intend to remain for at least four years, and up to the age of 16 or beyond. There are two categories of Secondary Schools: (A) schools maintained by the L.E.A. and receiving Government grants (described as on the Grant List); (B) schools not maintained by the L.E.A. and not in receipt of Government grants, but open to inspection and on the Board's List of Efficient Schools. The former category includes secondary schools provided by local education authorities singly or jointly, and also Endowed Schools for which the Council has

* Local Education Authority.

undertaken responsibility; Roman Catholic secondary schools; Foundation Schools, subject to educational trusts; and schools controlled under the Welsh Intermediate Education Act, 1889. The Preparatory Schools attached to many secondary schools are not eligible for grants.

Before the prevailing extent of public educational enterprise is indicated, the means by which the cost of education is distributed between the Government and local authorities should be explained. For 1936-37 the total expenditure on education, within the purview of the Board, was estimated at £91,314,000, of which £47,693,000 was borne by Government grants, and the remainder by local rates.

The proportion of the cost of public education that should rightly be defrayed by the State, has long been a matter of controversy. In 1832 the House of Commons voted £20,000 to aid school building by the voluntary societies; this was the first Government grant in aid of education. In 1839 the amount was raised to £30,000, to be contributed annually. Three years later grants were made to the National Society for training teachers. Twenty years later the annual grants amounted to £837,000. The introduction of the Capitation Grant in 1861 has been mentioned. Under the new Code of 1882 graduated grants were substituted for the fixed sums hitherto paid, while a "merit grant" was awarded on the Inspector's estimate of the quality of the teaching.

A Royal Commission on Local Taxation in 1899 endeavoured to decide, once and for all, between services that were local and therefore properly chargeable to rates, and others that were national in their range of benefit. Education was classed among the latter; yet the Commission did not propose that the whole cost of education should be a charge upon the National Exchequer. An allocated or substantive grant was preferred—that is a grant composed of a number of grants, each one allocated to a particular branch of the service; and this proposal was applied in 1916. By the

Acts of 1918-21 separate grants for elementary education were abolished. In their stead an annual grant was calculated for each authority by reference to several factors, the assessable value of the area included. For elementary and secondary education the minimum total grant was to be 50 per cent of the net approved expenditure. A campaign for economy in 1922 caused local authorities to restrict their plans for educational extension, while the Board of Education by the Economy (Miscellaneous Provisions) Act, 1926, obtained more stringent control over local expenditure.

Economies of 1931

A new Economy campaign produced the May Committee and in July, 1931, the National Government reduced its educational grants by £7,123,000. The 50 per cent minimum limit for elementary education grants was abolished and a "general slowing down of the service" was demanded. In pursuance of that policy, in September, 1932, the Board required that fees at approved rates be charged in all secondary schools provided or aided by public funds; and "free places" became "special places" carrying total or partial exemption from fees according to the need of the family. Up to normally 25 per cent these special places were to be reserved for pupils from elementary schools.

Since 1934 the Government's grants have been raised, by instalments, from the levels to which they were reduced. Early in 1937 the mode of estimating the grant for elementary education then prevailing was based upon the expenditure of Local Education Authorities. The formula on which it was calculated brought in 60 per cent of teachers' salaries; 50 per cent of special services (school medical service, meals, defective children, physical training, play centres, nursery schools) maintenance allowances (where permitted), and certain expenditure for reorganisation and development; 40 per cent of the cost of conveyance of children; and 20 per cent of the remaining net expenditure.

To the figure thus obtained 36s. for each unit of average attendance is added, and from the total is subtracted the product of a 7d. rate. For higher education (secondary, technical, training of teachers) the grants are 50 per cent of the recognised expenditure.

The Report of the Board of Education for 1935 states that "the formula for elementary education grant results in approximately two-thirds of the authorities receiving over 50 per cent of their expenditure, while for the country as a whole, the Board's grant amounts to 49 per cent of the total expenditure of the authorities." There is still ground to be recovered before the Central Government contributes so large a share of educational costs as Mr. Fisher planned in 1921.

ELEMENTARY EDUCATION (ENGLAND AND WALES) 1935

<i>Schools</i>		<i>Departments</i>	<i>Number of Pupils on Registers</i>
Elementary—			
(L.E.A.) Council	10,088	16,244	3,749,940
Voluntary	10,766	13,345	1,719,020
Non-local	34	36	4,789
Certified Efficient	19	19	1,145
Nursery—			
(L.E.A.)	34		3,251
(Non-L.E.A.)	31		1,530
Certified Special Schools—			
(L.E.A.)	406	Accommodation	39,900
(Non-L.E.A.)	194	„	17,950

The relation of the State and local authorities to Secondary Education is of recent origin. Without aid from the State and unrelated to elected authorities, through centuries there had developed a broad field of educational effort which, by 1870, lay between the elementary schools and the public schools in close contact with the Universities. The Schools Inquiry Commission showed in 1867 that of 3,000 endowed schools in the country, 782 had been designated "grammar schools" by the instruments of their foundation. There were also many proprietary or joint-stock schools, established voluntarily by religious bodies, or to meet

special wants. The rest of secondary education was in the hands of private teachers.

Public Aid and Fees

This division of effort still persists in large degree. Secondary education is a term which embraces Public Schools, Grammar Schools, County Schools, Private Schools, and Boarding and Day Schools. Some receive public aid as Government grants, and are said, therefore, to be on the Grant List. What a Public School has not yet been defined. The few that receive public aid are under obligation to provide a number of free places—about 10 per cent of their accommodation—open to be won by competitive examination. Many Grammar Schools, though ancient foundations, are now in receipt of public aid. The County Schools—in popular speech termed secondary schools—are provided and maintained by the Secondary Education Authorities from rates and Government grants, in accordance with the Education Act, 1902, which laid the groundwork of our public secondary school system. Though not uniform, the fees charged in this type of school average £12 a year, about one-third of the gross cost of the education provided. In recent years secondary schools for girls have increased in number. Private schools do not receive aid from public money.

On the other hand, there are secondary schools that receive public monetary aid—aided schools—that are neither provided by County Authorities nor under their control. Again, some schools, not desiring to receive grants, nevertheless submit to the Board's inspection. Of these approximately 1,800 are regarded as efficient; they provide for 550,000 pupils.

The curriculum in grant-aided Secondary Schools is designed for education to the age of 16, when, it is assumed, the pupil will take the "School Certificate Examination." In growing proportion, pupils remain beyond the age of 16, taking advanced courses and a "Higher Certificate Examination." These examinations

44 PUBLIC ENTERPRISE IN LOCAL GOVERNMENT

are conducted by University bodies. The School Certificate, under some conditions, exempts from the matriculation examination. The Higher Certificate is accepted, by some Universities, in lieu of the Intermediate Examination for University Degree. The teaching staff in Secondary Schools consists predominantly of University graduates.

SECONDARY EDUCATION (ENGLAND AND WALES) 1935

<i>Schools</i>		<i>Number of Pupils on Registers</i>
Secondary (on the Grant List)—		
Council	752	261,386
Roman Catholic	87	25,573
Foundation	439	139,613
Welsh Intermediate	102	30,211
	<hr/> 1380	<hr/> 456,783
Secondary (not on the Grant List)	395	69,573
Preparatory (not on the Grant List)	319	21,150

Number of Pupils in—

Secondary Schools on Grant List Paying no fees	215,759
Secondary Schools on Grant List Paying partial fees	21,593
Secondary Schools on Grant List who were ex-Public Elementary School pupils, and admitted in year ended July 31, 1935	76,396
Other pupils admitted to Secondary Schools on Grant List in year ended July 31, 1935	18,150

SECONDARY AND PUBLIC SCHOOLS NOT RECEIVING AID FROM PUBLIC FUNDS (ENGLAND AND WALES) 1935

	<i>Schools</i>	<i>Number of Pupils</i>
Represented on the Headmasters' Conference	16	6,927
Others (in "Public Schools Year Book" and "Roman Catholic Directory")	412	34,700

More than 9,000 private schools, attended by 300,000 children, are entirely without contact with the Board of Education, either by way of grants, rate aid, or inspection.

Further Education

On leaving elementary or secondary schools other kinds of education are available at Technical Schools and Colleges, Schools of Commerce, Art Colleges and Schools, and Evening Institutes. Instruction falls broadly into vocational courses, and courses of a more general nature. Attendance is voluntary. Vocational training is generally side by side with employment, and by arrangement with employers, frequently during the day. Nearly all the grant-earning institutions which proffer training of these kinds are provided and maintained by local education authorities. Juniors are usually admitted at 13 years of age. Part time courses for boys and girls from 14 to 16 are available in most towns of moderate size.

TECHNICAL AND FURTHER EDUCATION (ENGLAND AND WALES) 1935

	<i>Schools</i>	<i>Number of Pupils on Registers</i>
Junior Technical and other Full-time Schools (excluding Junior Art Departments)	208	24,532
Junior Art Departments	36	2,150
Senior Full-time Courses in Colleges	65	8,656
Technical Day Classes	189	29,262
Art Schools (excluding Junior Art Departments)	179	55,313
Art Classes	84	6,702
Day Continuation Schools	38	17,318
Institutions (excluding above) in which Day or Evening Instruction was given	4,937	892,400

AGRICULTURAL EDUCATION (ENGLAND AND WALES) 1935

	<i>Courses</i>	<i>Students</i>
Farm Institutes	156	1,929
Organised Day Courses	445	5,053
Evening Classes	463	11,455
Correspondence Classes	6	64
Instruction in Manual Processes	391	3,194

Agricultural Schools are administered by the Ministry

of Agriculture in conjunction with Local authorities. They give vocational training to about 23,000 adolescents.

Adult Education

Adult education has gained in favour since the War. From their inauguration in 1873 University Extension Courses have had fluctuating popularity. Thirty years later the Workers' Education Association was founded. It now organises over 800 tutorial classes and some 2,000 one year terminal and short courses each winter. Like the University Extension Courses a large part of its activities ranks for grants. Other bodies offer classes in music, hygiene and craftwork, such as the Women's Institutes, but they are not eligible for grants, except from the L.E.A.

In England and Wales twelve Universities confer degrees, and in Scotland four. The University Grants Committee's Report for 1935-36 shows 50,529 full-time students attending Universities and Colleges which receive Treasury grants. State Scholarships (360 annually) for Honours Degree courses are offered by the Board of Education. Open to candidates from secondary schools, they entitle the holder to assistance in the payment of fees, and a maintenance grant not exceeding £100 per annum. Other forms of public aid are tenable at the Imperial College of Science and Technology, and the Royal College of Art. Scholarships and maintenance grants are awarded by local education authorities to enable selected persons to proceed to Universities.

Teachers

The training of teachers is the work of two types of institution. A local authority, or a voluntary body, may establish a college for this purpose. A two years' course is available for students over 18, who have passed a qualifying examination. Fifty-one of the 74 Training Colleges in the 1936 List were established

by religious bodies. An alternative mode of entering the teaching profession is through the Training Departments of Universities, of which there are 22. Here the course extends over four years—three years in obtaining a degree and the fourth for professional training.

ADULT EDUCATION, SCHOLARSHIPS, ETC.

(ENGLAND AND WALES) 1935

		<i>Students</i>
Tutorial (Preparatory, Three Year, and Advanced) Courses	783	13,898
One Year, Terminal, and Short Term Courses	1,358*	27,468
University Extension Courses	370	7,857
State Scholarships at Universities : awarded	300	
Awards in Science ; Imperial College	31	
Awards ; Royal College of Art	64	
Remission of fees ; College of Art	73	
Whitworth Scholarships	12	
Studentships in Teaching	10	

In all schools for the salary scales of which local education authorities are responsible, whether elementary or secondary school teachers are concerned, salaries are determined by scales constructed by the Burnham Committee, a joint body representing local authorities and teachers. The superannuation of teachers is administered by the Board.

TRAINING COLLEGES FOR TEACHERS (1934-35)

	<i>Colleges</i>	<i>Students in Training</i>	
Maintained by L.E.A.	29	16,175	
Provided by other bodies :	}		
(Recognised for Grant)			77
(Not recognised for Grant)			4
Students aided by local education authorities from public funds : Value of awards		£1,061,950	

Board of Education

The machinery of our educational system is not a century old, and in that time it has suffered many changes.

* This does not include many W.E.A. courses which do not receive grant direct from the Board of Education.

A Committee of the Privy Council was appointed in 1839 to control the distribution of grants. It developed into a Department. In 1856 the Queen was empowered to appoint a Vice-President of the Committee of the Privy Council on Education, who should be capable of sitting and voting in Parliament. Thus was created a Minister of Education. The Board of Education superseded the Committee of the Privy Council in 1899; its representative in Parliament was designated President, and his deputy a Parliamentary Secretary.

The Crown in Council, by Order, may transfer to the Board any power of the Charity Commissioners relating to education. In the administrative control of elementary education much freedom is enjoyed locally. But the local authority is bound to maintain sufficient schools for the area; and to earn the money granted by Parliament, the local authority must comply with the conditions of the Code, periodically reissued. The powers of the Board in respect of education, other than elementary, depend upon the distribution of the funds at its disposal. By the offer of grant to secondary or continuation schools, for the training of teachers and their qualifications, the Board can effectively persuade local authorities to move towards higher standards. Nevertheless, though the relations of the State to our educational system were improved by the Act of 1921, they are "still unsympathetic and incomplete."²⁷

The Board's authority is exercised in its relations with 315 Local Education Authorities (that is to say, authorities for elementary education, supported by rates and grants)—63 County Councils, 83 County Borough Councils, 145 Borough Councils and 24 Urban Councils. These Borough and Urban Councils act as elementary education authorities in accordance with the Act of 1902, which enabled Borough or Urban Districts with populations of 10,000 and 20,000 respectively, to assume that responsibility.

²⁷ Sir William Anson; *Law and Custom of the Constitution* (1935) Vol. II., Part I. p. 218.

In 1934-35 the staff of the Board engaged in administration, inspection and examination, numbered 1,283. Their salaries and incidental expenditure amounted to £628,189. An acute critic contends that "the British system of education is in a far greater degree the creation of the administrators than of either Parliament, or the Cabinet, or the scattered educational enthusiasts throughout the country; its character is mainly due to the Codes and Regulations which the Officials drew up, and to the constant pressure which they exercised upon local authorities."²⁸

Hadow Reports

The Consultative Committee was created in 1899, to investigate questions periodically remitted to it by the President. Three notable reports appeared during Sir Henry Hadow's chairmanship—"The Education of the Adolescent" (1926), "The Primary School" (1931) and "Infant and Nursery Schools" (1933).

The report on "The Education of the Adolescent," accepted by the Board, aimed at a reconstruction of the educational system. Primary education would end at about the age of 11. All normal children would go forward to some form of post-primary education. For the majority this would end at 15. A smaller number would pass to secondary schools, and there remain till 16, and some to 18 or 19 years of age. At the age of 11 pupils would normally be transferred to a different school, or a different type of education. In Selective Central Schools, a four years' course would be available. Side by side with these, Non-Selective Central Schools would cater for children who failed to procure admission to the Selective Schools. Where local conditions made this division impracticable, senior classes, central

²⁸ Ramsay Muir; *How Britain is Governed* (1937) p. 48.

Annual Reports of the Board of Education.

An Outline of the Structure of the Educational System of England and Wales, 1937.

Sir Lewis Amherst Selby-Bigge; *The Board of Education* (1934).

departments, and analogous arrangements were proposed as temporary expedients. The characteristics of these Modern Schools are planned courses of three or four years, with a moderate devotion to handwork; and while not definitely vocational, the Modern Schools are to "connect the school work with the interests arising from the social and industrial environment of the pupils."

The new developments were retarded by the restrictions imposed to procure economy. In March, 1935, there were 2,744 senior departments with 792,500 pupils aged 11 and over, or 41.3 per cent of the total in this age group. In rural areas reorganisation proceeds slowly, largely because of the difficulties in transporting children from small villages or hamlets to consolidated Central Schools. In the public elementary schools of England and Wales there are 29,625 departments, each normally a portion of a school under a separate head teacher. There is much to be done before the principles of the Hadow Reports, adopted by the Board, are applied effectively throughout the country.

Education for Life

This survey of the facilities for popular education does not afford a basis for complacency. Every instalment of educational improvement has been difficult to win. The legislation of 1870 was designed to promote Britain's economic future. It was not evolved under the inspiration of any widespread belief that without education the higher possibilities of life cannot have reality. On three occasions the Education Department and the Board have undertaken a systematic review of school buildings—in 1893, in 1907-08 and in 1924-25. On each occasion a large proportion were unsatisfactory, especially the voluntary school buildings. In 1907-08 the Board found 2,000 buildings unsuitable for their purpose. In 1924-25 the defective buildings were classified under three categories—(a) the worst cases, where improvement is seldom possible; (b) where

considerable expense would be required to effect improvement; (c) buildings unsuitable for the number of pupils in attendance but adaptable for smaller numbers. Of 2,827 schools included in these categories in 1924-25, at September 30, 1936, there still remained on the "black list" 1,054. Of that number, plans for reconstruction or replacement had been approved in 132 cases only.

The process of elementary education is still controlled by the doctrine that its supply should be cheap. In Public elementary schools, at March, 1935, there were 150,439 classes. In Council schools 77,834 classes, and in Voluntary schools 30,582 classes, consisted of more than 30 pupils. In Council and Voluntary schools together, 4,218 classes were of more than 50 pupils. While the size of classes remains at these levels the advantages of education cannot be obtained in full degree.

For seventy years the employer of labour has controlled educational development. His was the voice that gained the ear of the Legislature and educational authorities. The employer required child labour. To him it was cheap labour, though to the nation a rash and wasteful expenditure of human resources. In the realm of popular education we still breathe that stifling air. When the Education Act of 1936 raised the school-leaving age to 15 from September 1, 1939, or earlier at the option of the local authority, employers' associations were able to procure a section in the Act which allows a dangerous form of exemption—"if employment of benefit to the child is available." That Act must be amended at the earliest opportunity.

III

ROADS AND THE PASSENGER TRANSPORT SYSTEM

(a)

MAIN AND SECONDARY ROADS

IN COUNTY BOROUGHS the town council has control over all highways in the county borough. In county areas, the county councils are responsible for classified roads in urban areas, and for all highways in rural districts. Urban authorities, that is to say, the councils of non-county boroughs and the councils of urban districts, have full control of all *unclassified* roads and streets. In many cases the larger urban authorities, which are not county boroughs, manage the classified roads as agents for the county council.

The classification of roads on which this distribution of authority is based was made by the Ministry of Transport. Class I embraces main roads and the principal arteries by which the main traffic flows. Class II includes roads, not so important as the main roads of Class I, but nevertheless important thoroughfares. Unclassified roads constitute a third class, though not so designated. The unclassified roads are all streets and roads of minor importance. As though it were necessary to add to the confusion arising from this loose, unscientific classification, main roads may be in Class I, but sometimes they fall into Class II. From April 1, 1937, the cost of future works on trunk roads, then transferred to the Ministry of Transport, has been defrayed from money provided by the Exchequer. About 4,500 miles of road outside London, the county boroughs of England and Wales, and large

burghs in Scotland, are affected by this arrangement. They constitute the national system of routes for through traffic in Great Britain.²⁹

The modern road is the public response to the requirements of drivers and owners of motor vehicles. At the end of 1935, vehicles carrying goods numbered 1,684,000. The weight borne by all vehicles was estimated at more than 19,000,000 tons. So vast a traffic entails continuous research into problems of road surface. A standing committee of the Ministry of Transport, by March, 1936, had conducted 60 experiments. Test lengths of road were laid in several parts of the country for comparisons in avoidance of skidding, durability and light reflection. A wide variety of road surfaces now in use is testimony to the interest, on the part of road engineers, which the Committee has awakened.

In 1933-34 the gross expenditure on roads and bridges amounted to £60,352,000, of which rather more than £3,000,000 was on new construction. Grants from the Exchequer, by way of the Road Fund now merged with the general revenue, in 1934-35 exceeded £14,200,000. In the preceding year, in England and Wales, local authorities out of rates expended £35,435,000 on highways and bridges (excluding lighting, but including scavenging).³⁰

(b)

SEWERAGE AND DRAINAGE

A well devised sewerage system is connected as closely with the design of roads as it is bound up with the promotion of public health. A problem of town life, an adequate system of sewers and of sewage disposal depends upon the volume and continuity of water supplies. So far back as the year 1898 a Royal Commission, appointed to review the practice of sewage control,

²⁹ Trunk Roads Bill, 1937; Preamble.

³⁰ *80th Statistical Abstract for the United Kingdom*; p. 315.

reported in favour of the establishment of a central authority whose powers should be confined to promoting hygienic methods of sludge disposal, the prevention of malodorous nuisance and the fly pest, the studied treatment of storm water, and the co-ordination of urban district sewerage schemes, so that the number of separate sewage works could be diminished and their character improved. Since that time substantial change has been effected, generally to the public advantage, but there are still too many separate sewage works and schemes of interconnection are still in their embryonic stage. In periods of drought, as in periods of flood, the grave defects of insularity in the planning of sewers, especially in the Midland Counties and in flat areas, becomes strikingly apparent.

The first notable step towards co-ordination was the formation, by eight local authorities in 1897, of the Birmingham Tame and Rea Drainage Board. The experience which that body acquired as the result of concerted action has been of value in a part of England where sewage disposal is, perhaps, the most difficult matter tributary to the public health with which sanitary authorities deal. Nevertheless, it is in the methods of the London County Council that the significance of the sewerage system as an element in the unconscious bases of life, is most apparent.³¹ Extensions to the plant now in process (March, 1937) will increase the capacity of the works to deal with 60,000,000 gallons of tank effluent daily. Meanwhile experiments are proceeding on sludge digestion in the hope of producing gaseous fuel. New works have been opened by the Middlesex County Council at Mogden which drain an area of 160 square miles, having a population of 1,125,000. A report of the Ministry of Health recommends one sewerage authority for the whole of the Greater London area.

³¹ *Recent Developments in Sewage Treatment and Disposal at the London County Council Works* (J. R. Sanitary Inst. 1936; p. 541).

A Matter in Dispute

Litigation has been occasioned by the want of clear distinction between a sewer and a drain. A sewer is constructed, maintained and repaired by the local authority; but the responsibility for drainage falls upon the landowner. A drain is a pipe, or a channel, communicating between a single building, or a block of buildings, and a sewer or other receptacle for sewage matter. The legal definition of a sewer embraces all channels for carrying off refuse, except drains. A pipe or channel which serves that purpose in respect of two or more houses is a sewer.³²

In August, 1936, the Ministry of Health issued a summary of the returns of the costings of sewage disposal works. Ninety-seven authorities had responded to the Ministry's request for information—45 county boroughs, 21 boroughs, 20 urban and 5 rural districts, and 6 united sewerage districts. By tank and filter treatment Dudley obtained 94.8 percentage purification of effluent. The least satisfactory results were at Nottingham and St. Helens, where the percentage in each case was 60. Information as to the cost of sewerage schemes, per head of population, is based on incomplete data not always susceptible of true comparison. According to the figures returned the net unit cost varied between a charge of 4.4*d.* per head of population at Merthyr Tydfil, and 237.4*d.* at Dewsbury (Ravensthorpe Works).

The necessity of land drainage in lowland areas has long been recognised, but until recent years protection from flood was almost entirely confined to the efforts of wealthy landlords, seeking reclaimed areas to add to their estates. Before the establishment of county councils ancient Commissioners of Sewers appointed by the Crown, for certain areas, were the only authorities concerned to supplement the action of private owners. Their resources were absurdly slender, in comparison with the task they were enjoined to fulfil. Nor had the

³² J. J. Clarke; *Local Government of the United Kingdom* (1934) p. 156.

county councils, since 1899, expended more than a small fraction of their resources upon the preservation of banks of rivers, on land drainage and the regulation of water courses. In the lowland districts of the Eastern Counties drainage questions had become the subject of acrimonious dispute when the Land Drainage Act of 1930 was placed upon the statute book. That measure had been preceded by the Report of the Royal Commission on Land Drainage, couched in ominous terms. During the War attention had not been given to the state of the main channels and tributary rivers, with the result that the raised water level in some parts of the country presented serious danger. That danger still remained in 1927 when, the Commission estimated, the potential food resources of the country were reduced by the relative absence of land drainage below the capacity of 1914.

Catchment Areas

By the Land Drainage Act 48 catchment areas were delimited, their division being by watershed lines. The areas varied in extent and rateable value. Thus in the area of the Great Ouse Catchment Board, where flood control is more urgent and fraught with most danger to agriculture, a rate of 2*d.* in the £ of rateable value yields £46 6*s.* per mile of river. In the Roding Board's area the same rate brings in £504 7*s.* per mile. In the area of the Mersey and Irwell Catchment Board, a district where embankments must be preserved because of the vast industrial wealth to be protected, a rate of 2*d.* in the £ yields £810 3*s.* per river mile. Details of income and expenditure of the Catchment and Internal Drainage Boards show, conclusively, that in proportion to their responsibilities the Boards in the lowland areas are burdened with a duty which the nation should share in larger degree.

Their difficulties are increased by local disagreement. In catchment areas where county boroughs are constituent members, side by side with representatives of

county councils, the work of the Boards is hampered by conflict as to the financial contributions each class of authority shall make towards flood prevention. Meanwhile, agricultural areas which are in constant danger and suffer heavy loss in every period of high tides or heavy rainfall, find that the whole sum collected as rates in respect of land drainage and flood prevention is absorbed by loan charges on works already undertaken. Though the Board of Agriculture contributes 75 per cent of the cost of certain new works, the rate charge on these sparsely populated provinces, of great importance as sources of the national food supplies, is already so high that an addition would throw extensive areas out of cultivation.³³ Here is an instance of the relative failure of public enterprise. In this connection it has not shown a capacity for organisation strong enough to overcome an extravagant passion for local independence. That claim is now being abandoned, and in its stead a plea for national aid and regional administration finds voice. For sixty years this mixed complex of agricultural, financial and national issues has been in controversy. The grievous cost of the floods of 1937 should accelerate a settlement.

(c)

TRAMWAYS AND OMNIBUS UNDERTAKINGS

The first tramway to be used for the carriage of passengers on payment of fares was promoted by a private Act of Parliament. It sanctioned a tramway system in Birkenhead and Liverpool. Two years later, in 1870, the general Tramway Act authorised local authorities to provide a tramways system within their boundaries; or to purchase at structural value only, on the expiration of twenty-one years' ownership by private proprietors. For half a century after that enactment tramways in Great Britain developed, approxi-

³³ *Times*, March 22, 1937; Statement on behalf of the River Great Ouse Catchment Board.

mately, with every expansion in urban areas. In towns trams were more popular than omnibus undertakings, though throughout extensive areas in the Metropolis, and in certain residential districts the omnibus was allowed to ply where trams were excluded. Since the appearance of the motor bus the tide of popularity has turned. A still more powerful force tending to discount the tram as a useful and necessary vehicle for public service, is the fact that it runs on rails and is restricted to a track. These were drawbacks which increased in weight with every addition to other kinds of vehicles. On these grounds the Royal Commission on Transport, in its Final Report published in 1931, maintained that tramways were then rapidly becoming obsolete as a means of transport in crowded cities, and were a source of congestion and danger. The Commission recommended that no additional tramways be constructed and that, gradually, they should give place to other forms of conveyance.

The decline in the position occupied by tramways becomes clear about the year 1927. The number of passengers carried then begins to fall, and the car miles worked are reduced. During 1930-31 the titles of thirteen tramway undertakings were removed from official returns of the Ministry of Transport because their powers had terminated, or working had been abandoned. In the same year tramway operation ceased on fifteen other undertakings.³⁴ By 1935 the loan capital, which the local authorities of Great Britain had invested in tramways and light railways under their control, amounted to £63,500,000. The greater part had been redeemed; the amount of the borrowed capital still owing being £20,300,000. The paid up capital of tramway undertakings operated by public companies was stated as £10,200,000. The net income of all tramways, £5,246,000 in 1930, had fallen to

³⁴ *Return of Tramways and Light Railways (Street and Road) and Trackless Trolley Undertakings (Ministry of Transport) 1930-31.*

£3,670,000 in 1935. Single journeys for which passengers paid had fallen by nearly nine hundred millions,³⁵ while the operating costs ratio to income increased from a percentage of 78.10 to 78.54. Of the 43 local authorities whose tramway accounts for 1936 were available (March, 1937) twelve, from their profits, contributed £84,000 to the relief of rates; twelve others incurred a deficit of £122,000 which rates, or reserves formerly accumulated, had to defray; six authorities give no information on the point. It would seem that the Royal Commission's expectations are in process of fulfilment.

Private or Municipal Control

In the final third of the nineteenth century the larger towns were growing rapidly. Internal transport, by methods other than the railway, was therefore a matter of popular convenience, to which the wage-earner and his employer alike attached importance. Provision of the tramway system was a chief issue at every local government election and, at one period, the financial support which the Glasgow Tramways afforded a Scottish municipal fund known as the Common Good, was a question canvassed over the whole of Great Britain. Nevertheless, unanimity did not prevail as to the superiority of municipal ownership. By 1930 one third of the tramway undertakings still remained in the possession of companies. As the trolley-bus and the motor bus have taken the place of tramcars, it would appear that the community is now less willing to experiment with private ownership. Many omnibus services, operating in the area of large towns, are now the property of the Town Council; or several local authorities combine to share their powers for the provision of road passenger transport. Every proposal of that order is watched by the railway companies and by others interested in the operation of public service vehicles. As a rule they offer opposition. About

³⁵ 80th Statistical Abstract for the United Kingdom; p. 328.

260,000,000 passengers were carried by the railless trolley services owned by local authorities in 1935-36. Sixty-seven motor omnibus services under local authorities' control present, collectively, substantial proof of the advantages which accrue from well directed public ownership. Six-sevenths of Birmingham Corporation's capital outlay of £1,884,600, which began to be incurred in 1913 has been repaid. The Liverpool Corporation's 146 buses carried 25,400,000 passengers; at Nottingham 160 buses received as fares £277,000. These sixty-seven omnibus services, as a whole, made a net surplus amounting to £761,000; that part of the number whose services did not yield a profit, after meeting all loan charges and other expenses, were responsible for a deficit of £99,000.

Road Traffic Legislation

Before further reference is made to the London Passenger Transport Board it is necessary we turn aside to glance at the chief modifications in passenger transport effected by the Road Traffic Act, 1930. Its provisions are concerned with the classification of motor vehicles, licensing of drivers, and their hours of work, the rate of speed, and insurance against third-party risks. Important among the constructive provisions of the Act are those which deal with the regulation of public service vehicles. Functions previously performed by 1,300 separate local licensing authorities were transferred to boards of three commissioners in each of the twelve districts into which the country, outside London, was divided. In the Metropolis, a Traffic Commission controls all public service vehicles operating between London and the limits of the traffic area. While a local authority, proposing to develop its facilities for passenger transport, is relieved from the former necessity of obtaining a Parliamentary Act or Order, it cannot operate its vehicles without consent of the Traffic Commissioners for the area. In this respect the local authority is placed on a footing equal with other licence

holders. Whilst on the one hand the local authority is restrained, on the other the principle is admitted that what a person or group of persons may do in course of trading for profit, shall not be denied as a right which the community can exercise in its corporate capacity. The Road and Rail Traffic Act, 1933, had special reference to the duties of Traffic Commissioners in regard to the carriage of goods by road, and under licence.

London Passenger Transport Board

The legislation mentioned in the preceding paragraph prepared the way for the establishment of the London Passenger Transport Board in 1933. The Board consists of five members, a Chairman and a Vice-Chairman. Their duty is to secure an adequate and co-ordinated system of passenger transport in the London Passenger Transport area which includes 183 administrative areas :—the City of London, the City of Westminster, 9 counties, 3 county boroughs, 27 metropolitan boroughs, 34 municipal boroughs, 78 urban districts and 30 rural districts. The area comprises 1,986 square miles with a population estimated at 9,600,000. Control and operation of the Metropolitan District, the District Railway, and all electric railways in that region was transferred to the Board. On the margins of the Board's area, north and south, are districts termed a "Special Area" in which none but the Board may, except with written consent, operate stage or express carriages local to that area, except in certain minor cases. Outside the "Special Area" and therefore within the London Passenger Transport area, the Board operates the tramways, omnibuses and coaches, that were also transferred when the railways came under its direction. A Standing Joint Committee of the Board and the Main Line Railway Companies operating suburban traffic from the environs of London, is responsible for an important contribution to the harmonious action of differing forms of public service.

The financial arrangements by which the Board is

governed should provide valuable experience in the transfer of capitalist property to public possession. The whole passenger receipts are pooled, including the receipts of the four main line railways attributable to passenger journeys between stations in the Area. Out of its traffic takings each party retains an allowance for defined working expenses, incurred in earning its receipts. The balance of each party's passenger takings is then carried to a pool. The total pool is divided between the parties in accordance with a scale based upon the results of 1932, a year prior to the date on which the scheme commenced to operate.

In return for the surrender of their legal title to capital in the undertakings the Board issued Stock to shareholders at different rates of interest, and redeemable at various dates between 1942 and 1985. That is to say, if the Board, after the payment of 5 per cent annually upon "B" Stock (until 1965,) should before that date buy Stock from its proprietors, it would then become to that amount the actual owner of the railways, tram-cars and omnibuses. Or if the Board should wait until 1965, and then purchase the whole of the £23,760,131 of "B" Stock issued, the Board on the public behalf would then enter upon real possession of the undertakings it controls, up to that value. On June 30, 1936, the nominal amount of Stock which the Board had issued to former shareholders was £111,933,867.

Fares and Purchase

Possession of the properties constituting the passenger transport system of London is not yet in public hands. The control of the system, its operation, and its extension, are now within the purview of the Board. But the purchase of the means of transport is to be effected—if the financial provisions governing the Board's constitution and activities are fulfilled—by an appropriation for that purpose of a part of every fare that each passenger will offer, probably for a century hence. In that period will be witnessed the success, or failure,

of the most elaborate attempt yet made to transfer the possession of property from private owners, to the community, by drafts upon the revenues of the undertaking and the payment of interest on the original capital by derivation from the same source. It is not, of course, impossible for the Legislature to amend the conditions of purchase. Meanwhile, the London Passenger Transport Board has opened out for investors a long-term remunerative yield upon their capital.

The total number of passengers originating upon the Board's system during 1935 was 3,582,348,000. The total passenger receipts amounted to £39,718,000, the average receipt per passenger being 2.308*d*. Working expenses accounted for £22,516,000, of which salaries and wages were 66 per cent. The Board's employees numbered 77,500. About 13,000 vehicles are under the Board's direction, with a seating capacity of more than 600,000.³⁶ Its services may offer room for improvement but never before has so large an essay in the provision of convenience been undertaken by a concern, now consciously intended to become a public property.

³⁶ Annual Reports and Accounts, London Passenger Transport Board, 1934-35-36.

IV

GAS : ELECTRICITY : WATER SUPPLIES : MARKETS

(a)

THE MUNICIPALITY IN THE WORLD OF GAS UNDERTAKINGS

THE TRADING undertakings owned by the local authorities of Great Britain compose a great estate. Some of the services which enter its composition were of ancient origin. Gas is a comparatively recent mode of lighting and heating: men foregathered in markets before they knew the splendour of artificial illuminants. In 1933-34 the municipal gas departments of England and Wales received £16,153,000, nearly the whole of that amount being derived from the sale of gas. Of the profits £153,000³⁷ were transferred to aid the rates—a course of doubtful social value in built up areas if repeated year after year. Under those conditions the benefit goes finally to the landlord. Relief of rates enables the tenant to meet demands for higher rental.

Returns for 1935-36 show that 718 authorised gas undertakings were in operation. Four-sevenths are owned by statutory companies, with paid up capital and loans amounting to £135,276,000. These include some of the largest concerns like the Gas, Light & Coke Co. (capital £26,000,000), the South Metropolitan Co. (£8,000,000) and the Sheffield Gas Co. (£2,300,000). Undertakings in the possession of local authorities had raised loans at various times, for the manufacture and supply of gas, amounting to £79,400,000. Either by repayment or transfer to sinking funds, that total had been reduced to £27,600,000—the amount still owing

³⁷ *Annual Local Taxation Returns*, 1933-34; Part III, p. 82.

by local authorities³⁸ in respect of their gas undertakings at March, 1935. In this list of municipal gas concerns some reach large dimensions, though, by the nature of the areas which they serve, they cannot be so extensive as the metropolitan companies. The Birmingham Corporation's Gas Department supplies 317,000 consumers, Glasgow 335,000 and Leeds 147,000. Several municipal undertakings supply industrial establishments on a scale altogether out of proportion with the population of the local government area, or the number of their consumers. Thus Greenock, Lancaster, Monifieth, Newport (Fife) and Wallasey, a group with 59,000 consumers, sold two thousand million cubic feet of gas; while Salford, an area where factories of moderate size predominate, with 90,000 consumers, sold rather less than three-fourths of that huge quantity. In municipal plants close attention has recently been given to the possible increase in sale of the chief residuals, coke and breeze, tar, and sulphate of ammonia. Benzole extraction is now a profitable process. Several undertakings are laying down plant for this purpose; in 1935 the Edinburgh Corporation Gas Committee initiated a plant with a capacity to produce 400,000 gallons annually. Town Councils at Burnley, Glasgow and Halifax have the matter under consideration. In their publicity, which becomes more important with electrical development, the statutory companies easily lead the way.

In 1920 the Board of Trade was authorised to make "Charges Orders", by which statutory gas companies and municipal undertakings were entitled to substitute the thermal for the volumetric system of charge. A therm is 100,000 British thermal units; a thermal unit is the amount of heat required to raise the temperature of 1 lb. of water by 1° Fahrenheit. The Gas Undertakings Act, 1932, should be advantageous, since it allows both statutory and local authority undertakings to invest capital in other concerns engaged upon the develop-

³⁸ 80th Statistical Abstract for the United Kingdom, p. 306.

ment of inventions, or processes, calculated to improve the industry as a whole. The Act is a rare example of Parliamentary encouragement for public enterprise. It is worthy of note that it was procured by the joint action of gas concerns in company and public ownership.

(b)

ELECTRICAL ENERGY : GENERATION AND DISTRIBUTION

Barely more than half a century ago Parliament gave its sanction to the generation of electrical energy for sale. The severe limitations then imposed upon the exercise of that permission are conclusive proof that the use of electrical energy, as light or motive power, was regarded with misgiving. Under the first Electric Lighting Act, virtually nothing was done. An amending Act followed in 1888. The consent of the local authority had to be obtained before an application for an Electric Light Provisional Order could be made. Unfortunately, local authorities did not themselves exercise the rights they could have employed to supply electricity. Some were proprietors of gas undertakings which, they considered, would be menaced by electricity; others were satisfied that the dimensions of the local government area did not require revision. As it was soon made clear that cheap supplies of electrical energy were possible only if the lighting load were supplemented by the power and traction loads, the demand which then arose for regional services was in conflict with this narrow concept of local self-determination. Each authority, whether company or municipality, was free to adopt direct or alternating current. Without considering the action of neighbouring authorities, each engineer chose his own frequency or voltage, thus introducing, at the foundation of the industry, a formidable impediment to the interconnection of stations and the transmission of bulk supplies.

Co-ordination

By the end of the War it was apparent that isolationist policies had to be abandoned. Electricity Commissioners were appointed to promote and regulate supply. Their efforts failed because of their dependence upon the voluntary action of generating and distributive undertakers. In 1926 the Electricity (Supply) Act was passed. A Central Electricity Board was constituted with authority to reorganise the production of electricity on a national basis. The Board is "a co-ordinating body with no financial control over authorised undertakings. It has, however, power to force owners of generating stations to form part of the national supply scheme."³⁹ The Board utilises the most efficient generating stations, whether in municipal or company ownership, as centres whence supplies of energy are drawn. Energy, purchased from generators in bulk by the Board, is then transmitted by a system of mains, operating at 132,000 volts, known as the Grid. The Grid is the Board's property. By its means the current is supplied to authorised distributors, who still maintain a wide range of prices and many varied tariff systems. These differences of supply entail varieties in equipment which prevent standardisation. On several occasions the Electricity Commissioners have referred to the need of standardised distribution as the necessary counterpart of controlled generation.⁴⁰

The Commissioners' latest figures report 6,952,000 consumers of electricity in 1934-35. The units generated were 17,569 millions, produced by 626 generating undertakings—3 joint electricity authorities, 5 joint boards of local authorities, 371 local authorities, and 247 companies and persons. Of the total quantity generated 14,850 million units were purchased in bulk by the Board, and sold to 635 undertakings of which 288 distributed by alternating current, 69 by direct, the remaining 278 having adopted both alternating

³⁹ P.E.P. *Report on the Supply of Electricity in Great Britain* (1934) p. 3.

⁴⁰ *Report of the Electricity Commissioners, 1931-32.*

and direct. The total sum paid in rates by all authorised undertakers during the year, generating and distributive, amounted to £32,862,000, a percentage of 12.70 of net working expenses. The sum allocated to relief of rates by local authority undertakers in 1934-35 was £549,600. By companies £143,000,000 has been invested in the industry; by local authorities and the Central Electricity Board £296,000,000.

Ample scope remains for development. Over the country as a whole the consumer's needs, domestic and industrial, are far from adequately satisfied. A supply must be readily available at cheap rates. For the domestic consumer service and credit facilities must be forthcoming, so that the expense of wiring and maintenance can be spread over periods. The method of charge must be simple and uniform over the country, so that doubt may be removed from the consumer's mind as to the amount he is to pay. And in order to avoid the purchase of appliances that may be useless elsewhere, voltage and frequency should be standardised as rapidly as possible. Along these lines the electricity supply can become, at an accelerated rate, one of the most fruitful aids to health and cleanliness which civilisation affords.

(c)

WATER SUPPLIES IN TOWN AND COUNTRY

Several years have passed since an official return of water supply undertakings in Great Britain was published, and though the Advisory Committee on Water, and the Inland Water Survey Committee set up by the Minister of Health in 1935, refer to the need for more information, there is but little evidence that the need will be satisfied. The dry seasons of 1933 and 1934, and the consequent shortage in 1935, aroused interest in the question. Parliament voted £1,000,000 to be expended in grants in aid of rural water supplies, and for a time county councils and rural district councils displayed some activity in that direction. No longer confronted

with immediate danger, the Advisory Committee has reported that during heavy drought, water is sometimes cut off as a precaution, rather than as a result of actual shortage.⁴¹ Too much stress cannot be laid upon the fact that under the Public Health (Water) Act, 1878, it is the duty of every rural sanitary authority to ensure that an accessible supply of water is within reasonable distance of every dwelling house in its district. Not all rural authorities have taken steps to conform with that injunction.

Except the possession of lands, and certain market rights, the ownership of the source of the local water supply would seem to be the most ancient portion of many municipal estates. In 1928, out of 1,236 water systems in England and Wales, 977 were owned by public authorities.⁴² Six years later, excluding Government grants, the income of the water services of all local authorities amounted to £19,023,000.⁴³ Extensions are proceeding rapidly. In the twelve months ended March, 1936, the Ministry of Health sanctioned loans for water supply purposes of rather more than £4,000,000. In the same period Parliament authorised £9,000,000 for other capital expenditure required by water services. A current list of 407 water undertakings, owned by all classes of authorities (except county councils)⁴⁴ provides interesting details as to the expense, on capital account, which a modern water supply entails. Acquired in 1876 the Birmingham undertaking had involved a capital outlay of £11,000,000 by the end of 1935. Since 1855 Bradford has spent £8,000,000 upon its water system; while Manchester, between 1837 and 1934, found it expedient to incur an expenditure of £12,600,000 on capital works.

⁴¹ *Report of the Advisory Committee on Water*, Ministry of Health.

⁴² *Britain's Industrial Future* (1928) p. 68.

⁴³ *Annual Taxation Returns*, 1933-34; Part III, p. 82.

⁴⁴ *Municipal Year Book*, 1937.

Metropolitan Water Board

These figures of constructive debt—only to be borne by communities where loans are guaranteed by the certainty that the production of wealth on a colossal scale will continue—are slender in comparison with the Metropolitan Water Board's activities. Formed in 1902 to supersede the water companies which had failed, egregiously, especially in the East End of London, the Board is a public service organisation composed of 66 members, appointed by metropolitan borough councils, and county, borough and urban district authorities within the water area. The outstanding capital debt at March, 1936, was £54,058,000. Water rentals for 1935-36 amounted to £5,269,000. Of an approximate expenditure on revenue account of £5,391,000, the charge for interest on loans was £1,727,000, and for local rates £696,000. It is now so customary in all large towns to obtain an unlimited supply of water by the mere turn of a tap that the normal citizen is apt to overlook the forethought, inventive genius, and the scientific application represented by that elementary aid to common health and personal convenience. The extent of that prevision is indicated by the Board's control of 49 subsiding and storage reservoirs for unfiltered water, having an area of 2,702 acres and a total capacity of 20,000,000 gallons; and 95 service reservoirs for filtered water with 341,000,000 gallons capacity. About 8,000 miles of water pipes compose the unseen structure of the supply system. The Board's bye-laws are models for the prevention of waste and contamination.⁴⁵

The method of assessing charges for water has undergone modification since the Waterworks Clauses Act, 1847, first provided for a legal and compulsory payment. After litigation it was determined, by the Water Rate Definition Act, 1885, that the charge for domestic purposes should be a percentage of the rateable value of the premises supplied. At present

⁴⁵ Byelaws, Metropolitan Water Board, July 13, 1934.

(March, 1937) the Metropolitan Water Board's charges are 6 per cent of rateable value; without the consent of the Minister of Health they cannot exceed $8\frac{1}{2}$ per cent, and in no case, without amending the law, can they be more than 10 per cent of rateable value. Water supplied by measure is subject to agreed rates per 1,000 gallons, generally diminishing as consumption increases.

As with gas companies the profits of water companies are limited by legal enactment. Undertakings that were formed earlier than the last half century are generally restricted to 10 per cent profit on paid-up capital; companies that were of later promotion are, as a rule, limited to 7 per cent. At the present time the estimated returns to private companies is 6 per cent.⁴⁶ In 1933-34 local authorities carried £119,000 of water-supply profits to rates relief.

(d)

MARKETS AND TOLLS

The origin of markets and the acquisition of market rights have engaged the attention of eminent historians. Their romantic story has not been told in a manner more attractive than that which the Board of Agriculture employs in its series of Reports on Markets and Fairs.⁴⁷ The market is probably the most ancient form of public local enterprise. Its origins and the legal sanctions by which it is supported, are of complicated character. Analysis of 353 market authorities in the Northern area shows "that 77 public and 26 private markets are carried on under Charters, 48 public markets are carried on under the Public Health Acts, 165, including 13 private markets, have been established by Local or Special Acts, while 182 markets, mainly livestock auction

⁴⁶ Marshall E. Dimock; *British Public Utilities and National Development*, p. 36.

⁴⁷ *Markets and Fairs in England and Wales*; Board of Agriculture, Economic Series, Nos. 13, 14, 19, 23.

markets, appear not to be markets in the strictly legal sense."⁴⁸ The Livestock Industry Act, which requires producers who wish to claim the payment of subsidy to present their cattle at one or other of 800 centres, may simplify conditions by the removal of certain obsolete marketing rights.

Approximately two-thirds of the boroughs have their own wholesale or retail markets. Urban authorities proposing to establish a new market may proceed under the Public Health Act, 1875, but it is not improbable that movement on their part may waken claims which have long lain dormant. A rural authority can exercise all the powers of an urban body, which comprise the provision of site, buildings, and every form of necessary equipment. In recompense the authority is free to receive stallage rents and tolls.

Some markets are profitable to their municipal proprietors. In 1935-36 Belfast's net surplus amounted to £12,400; at Exeter the surplus was £15,700, Leicester £10,000, Sheffield £11,700, and at Newcastle-on-Tyne £12,900. In London there are no general retail markets. All the authorized markets are "mainly wholesale markets or depots, to which the producer or importer sends his produce for sale to the retail tradesman, and at these markets the actual consumer rarely purchases."⁴⁹ The oldest charter is of Edward III, in 1327, confirming the privileges of the City of London, and prohibiting the establishment of markets, except by the Corporation, within six miles of the City. For operation within that area, however, Charles II granted charters for Covent Garden and Spitalfields markets; and Parliament, by special Acts, authorized the Borough, Columbia, and Shadwell markets. The case for reform in the control of London's wholesale markets has seldom been stated more effectively than by Mr. John Kemp, in evidence

⁴⁸ *Markets and Fairs in England and Wales*; Board of Agriculture, Economic Series, No. 19; p. 7.

⁴⁹ G. L. Gomme; *London in the Reign of Queen Victoria* (1897) p. 93.

before the Royal Commission on London Government, 1894:—"The Corporation professes that it confers great benefits upon the whole Metropolis by its management of the City markets, but it does not provide municipal markets at all (It) has used its practical monopoly to establish vast centralized exchanges for wholesale dealing in marketable commodities . . . such a course is only defensible if the whole of the profits are fairly and openly devoted to the benefit of the inhabitants at large." In the forty-three years since that declaration no Government has had strength or inclination enough to reduce the privileges which the City Corporation enjoys.

V

FINANCE OF THE PUBLIC SUPPLY OF GOODS AND SERVICES

(a)

INCOME FROM RATES AND LOANS

OUR INQUIRY begins with a statement that the rateable value of property in England and Wales, in 1933-34, was returned at £274,228,004. According to the Valuation Lists in force in April, 1935, by that date rateable values had increased by more than £19,000,000. Wide disparity prevails between the rates levied on each £ of rateable value. Thus, excluding additional rates imposed for special purposes in particular areas only, and after allowance for Government Grants and Income from Licence Duties, and other sources, the General Rate in the County of Durham was 16s.; in Norfolk 13s. 6d.; in the County of Cambridge 11s. 4d.; in Surrey 5s. 11.25d.; and in West Sussex 6s. 6d.

Two main factors cause the difference. First is the extent of public assistance and special works required in the county; the second is the volume or scarcity of rateable value on which rates can be levied. In county boroughs the divergence from equality is even more pronounced. At Hull, in 1933-34, the amount per £ of rates levied during the year was 18s. 2d.; West Ham 19s. 6d.; Merthyr 27s. 6d.; at Oxford 7s. 6d.; Bournemouth 7s. 9d.; and at Exeter 9s.

Corresponding figures of rateable value for Scotland are not available. It must suffice that in 1932-33 Scottish local authorities collected £18,609,000 in assessments, the average rate in the £ being 7s. 8d., an increase in

40 years of 159 per cent. In Northern Ireland the rates collected in 1934-35 amounted to £1,952,000.

The sum raised by rates, in 1933-34, in England and Wales, was £148,554,121. The following table shows the receipts from rates of each class of local authority :—

	£
Metropolitan Borough Councils (including City of London)	28,401,921
County Borough Councils	54,188,908
Borough Councils	23,750,024
Urban District Councils	25,311,996
Rural District Councils	16,391,824
Commissioners of Sewers, Drainage and Embankment Authorities	493,581
Other local authorities	15,867
	<hr/> £148,554,121 <hr/>

The London County Council, the councils of other counties, parish councils, and parish meetings, and the Metropolitan Police, spend considerable sums—about £64,000,000 in 1933-34. Known as precepting authorities the money they require from rates is collected by one or other of the authorities in the above table.

As repayments for private improvements executed by local authorities, the latter received £2,228,000. Rentals for small holdings and allotments brought in £1,259,000; while rentals of houses on municipal estates, attained the sum of £27,000,000. From their housing estates alone the London County Council received nearly £3,000,000 as rents, and the Metropolitan Borough Councils more than £800,000. Fees, tolls, interest, and other miscellaneous receipts of all local authorities amounted to £32,000,000.

Permanent Works

Every year works of permanent value must be undertaken. Schools and houses must be erected, roads constructed, town halls, libraries and baths have to be built. To defray their cost out of rates, year by year

would impose an impossible charge upon the community. A Socialist society would proceed by different methods; but while the present order is maintained and the financial system which is necessary for its continuance, borrowing large sums for capital works cannot be avoided.

Two classes of loans are taken up. One is for works of durable utility for the rate fund services, a term which includes education, libraries, public health, housing; loans of the other class are used to develop the trading services—markets, waterworks, and gasworks, for example. As loans, other than loans expended on the trading services, local authorities received £44,715,000 in 1933-34. In the same year this outstanding Loan Debt in respect of non-trading services amounted to £926,000,000. Roughly five-ninths of that immense sum had been borrowed for housing.

(b)

GOVERNMENT GRANTS

The year 1933-34 is our standard year. Towards the expense incurred by the non-trading or rate-fund services, the Government then contributed £124,503,000. A year before the War the corresponding figure was £22,519,000. Then the grant for education was less than £14,000,000. In 1933-34 it exceeded £38,000,000. Grants for housing, and highways and bridges, have grown most rapidly. So recently as 1920-21 the housing grant was little more than £775,000. In 1933-34 the Government contributed more than £13,000,000. Aid from the Government towards the cost of highways and bridges amounted to £4,700,000 in 1930-31. Between 1927 and 1932 local authorities received the highest grants on this account. They were years of gathering industrial disorder, rising in the latter year to acute depression. Since that year grants have fallen. In 1933-34 they amounted to £12,094,000. Including

£3,000,000 for the Special Areas, Government Grants in 1936-37 were estimated to amount to £134,000,000.

(c)

INCOME FROM TRADING: SPECIFIC INCOME:

TOTAL EXPENDITURE

About one hundred and twenty millions a year are received from trading services and corporation estates. This field of income receives little aid by way of Government grants—less than a million annually. On the whole Parliament has viewed municipal trading with suspicion. It tends to run counter to the widely accepted rule that the profit-making stimulus is necessary for efficient management. If it were allowed to develop freely the sphere of profit-making enterprise might be narrowed; even though for a time the loans that would be required provided an excellent and safe investment. Municipal trading is not quite in accord with the traditional view that the community should not, or cannot, conduct business on its own behalf. On these grounds the Legislature has placed many impediments in the path of municipal enterprise. A Special Act of Parliament must be procured. The promoters of a new scheme must run the gauntlet of costly examination before a Parliamentary Committee. Unless their proposal is fortified by precedent, the Ministry of Health may be expected to oppose, and for practicable purposes join hands with every interest that deems itself affected. In recent years the Legislature has given small favour to any project for the expansion of municipal trading. Water supplies and passenger transport are the exceptions. With more profitable employment open for industrial capital its owners were unready to risk its use in piped water systems in sparsely populated areas, or even in passenger transport where the return has often been speculative. Confronted with these economic facts Parliament was constrained to be more friendly

to the communal demand, where water supplies and passenger transport were concerned.

Trading Income

These limitations notwithstanding, the income from trading makes a respectable contribution to the income of the nation as a whole. In our standard year the exchequers of local authorities in England and Wales received £114,300,000 from trading sources. The largest contribution was from electricity supplies—£38,000,000. Next in order was the income from tramways and transport systems generally—£23,000,000. Water supply followed with £20,500,000. Next, gas supplies with an income of £16,000,000, and then the group "harbours, docks, piers and canals" with £12,500,000. The remaining services which fall within the technical description of "trading services" are ferries, markets, cemeteries, certain estates in land and buildings for the most part in the possession of ancient corporations, and an odd assortment of miscellaneous undertakings like the George Hotel, Walsall, twenty-seven airports, mineral baths, a municipal bank at Birmingham, beach services, a dairy at Worcester, cold stores at Wolverhampton, halls and concerts.

In the first decade of this century a furious discussion raged. Were the trading services meeting their expenses? Opponents maintained that financial loss followed their operations; that almost everywhere their deficiencies entailed increased rates. In the five years ended 1933-34 net contributions from rates to meet deficiencies on trading, exceeded transfers in relief of rates by £4,584,000. If 1933-34 be taken alone, transfers from profits in aid of rates amounted to £1,623,000; the total contributions from rates and reserves to meet deficiencies reached the sum of £2,903,000. Water supplies, cemeteries and transport make heaviest demands upon the ratepayer.

Worth of Public Services

To contend, however, that the true and final worth of

public services can be determined by monetary profit and loss, is to pursue a mode of reasoning that is false. That it is possible to make profit from a cemetery is evident, since companies of shareholders have been formed and continue for that purpose. It is questionable whether the public is not better served by a scale of interment fees so low that a charge upon rates is required. High burial fees are a factor contributing to the absurdly expensive system of industrial insurance operated by assurance companies. Privately owned capital never flowed freely for the provision of public water supplies; towards the construction of public sewerage systems it made no contribution whatever. The reason is clear. Here are services which, though they confer immeasurable benefit upon the community in promotion of health, cannot in the case of water, be made to pay except in favourable geographical circumstances. A sewerage system is wholly unprofitable. Private capital prefers a return more tangible than the public health. The community would be still more healthy, probably, if the pass-books of its more fortunate members revealed smaller monetary balances. This dispute arises largely from the conflict between public and private interests. At present private interests are paramount. It is sound policy to supply the public with goods as near cost as possible and not to transfer profits for rates relief too easily, or frequently. If, through no fault in supervision profits cannot be made, it may be for the general welfare that the loss should be borne as a rate-charge. Cheap fares, or electric energy at so small a price that its use is encouraged, can mean much more in human benefit than a return on capital highly gratifying to its owner.

In the classification of the trading services a strange survival continues from the time when the poor rate was the only rate imposed in England. As the functions of local authorities were multiplied, and one rate only was levied, the cost of each new service was made a charge against the poor rate. As the charge for the

relief of the poor has never been popular with rate-payers this fact, in part, explains the widespread antipathy to local authorities. In some minds, to this day, the paving of highways is condemned as causing the imposition of rates. Later on, distinct and particular rates became leviable; and at long last, by recent reforms in local government machinery, the several rates were merged as one.

Rate Fund Services

Provision of baths, wash-houses and open bathing places might have been assumed to be a matter of trade. Before the present classification was adopted they were made chargeable to the rates fund, though in a normal year about £1,200,000 is received from that source. An almost equal sum is required from rates to meet the annual deficiency. Nor is housing, the most extensive service for which payments are received, included in the trading services. That housing should still be classified as a "rate fund service" betrays the mind of legislators when first they granted authority for municipal housing. Only the very poor, they imagined, would ever be housed by any agency other than the private landlord. It was fit and proper, therefore, not to class housing as trade, but as a form of relief, like education. The factual logic of historical development has made the distinction between trading and rate fund services as artificial as the difference between noon and midday.

The term "specific income" gives rise to misunderstanding. In official returns it is employed to cover payments received in respect of services chargeable to the rate fund, but not derived from trading services, or from rates. Specific income covers the amounts which local authorities receive as fees, rents, recoupments, and Government Grants in respect of certain services. Thus in 1933-34, fees and other payments received from pupils in elementary and higher schools amounted to £4,093,000. But £38,496,000 was received as Govern-

ment Grants towards the expense of the same service. These two amounts constitute specific income from education. The balance of the cost of education, £40,751,000, was defrayed from rates.

In 1933-34 the total expenditure on rate fund services amounted to £326,524,539. Specific income (£54,176,110 from fees, rents and recoupments, £73,718,095 by Government grants) was £127,894,205. The balance, £198,630,334 was made up as follows: from rates, £148,554,121; grants not allocated to specific services, £47,229,450; transfers in aid of rates from trading accounts, £1,949,220; reduction of balances or over-drawn balances increased, £897,543.

The total expenditure of local authorities in Great Britain and Northern Ireland in the latest years for which corrected figures are available, is set out in the following table:—

SOURCE

	<i>Rates, Government Grants, Specific Income, Trading transfers</i> £	<i>Loans (expenditure on capital works)</i> £	<i>Year</i>
England & Wales	433,225,000	89,289,000	1933-34
Scotland	56,505,271	11,454,947	1932-33
N. Ireland	6,942,469	1,545,967	1934-35

£598,962,954.

The total outstanding debt of local authorities (1933-34; England and Wales) was £1,404,362,000. For repayment £98,369,000 had been set aside in sinking funds. It should be borne in mind that nearly the whole of the sum borrowed is represented as capital in the form of land, buildings, or some other type of permanent property. It constitutes a vast estate, brought together and accumulated by the citizens in pursuit of the common good.

(d)

THE RATING SYSTEM: GOVERNMENT CONTROL

Two considerations arise in respect to public enterprise so far as its activities depend upon the rating system. First: Are the means by which rates are calculated an equitable system? Secondly: Is there not a danger that with increased contributions by the taxpayer local government may have to be surrendered?

Rates are a charge levied compulsorily upon the rateable value of land and buildings. Rateable value is generally less than annual rental value by the expenditure required to maintain the property. Before the Poor Rate Exemption Act, 1840, was passed, personal property had become rateable by custom. It has since been exempt from rates imposed by a local authority. Until the Rating and Valuation Act, 1925, was law, it had been permissible for rating authorities to levy rates upon machinery, if they cared to adopt that mode of valuation. Some pursued that course; others did not, with the result that as between one area and another some manufacturers were under disadvantage. Since that enactment machinery is exempt from rates, except those kinds of machinery and plant which are built into the structure such as lifts, blast furnaces, tramway lines, or heating systems. Rates are levied on the occupier in England and Wales, except in the case of "compounded" property. In Scotland they are divided between tenant and owner.

Not many persons defend the present rating system. But there is wide diversity of opinion upon desirable alternatives. If an occupier improves his dwelling house, he is charged for his industry. Rateable value of the property is increased. It is maintained that the imposition of rates on houses and other buildings, and only to a small extent on land, "not only restricts the demand, especially for small property, but also prevents many necessary works of enlargement and improvement, and, in some cases, even of repair and

maintenance.”⁵⁰ Over a period of more than fifty years the rating of land values has been proposed as a source of relief for rates on buildings.⁵¹ That proposal was supported by a Minority of the Royal Commission on Taxation, on the ground that “the outlay of ratepayer’s money does increase the value of urban sites,”⁵² and opposed by the Majority because of “the difficulty and uncertainty of . . . (site) valuation.” Municipal death duties have been suggested. The Manchester Corporation recently considered a proposal to levy an income tax as a method of rates relief, and for opening up new sources of revenue. Obviously, a death duty or an income tax would yield but small results in some parts of the country. If the Legislature could be induced to assent, this new source of finance would require a system of rating, uniform in its charges and administration over extensive regions or provinces. The derating of industrial and freight transport hereditaments completed by the legislation of 1929, releases productive establishments from a charge entering into their costs of production. But the rates borne by householders are increased, despite the government grant in lieu of rates on industrial undertakings and agricultural land. “In the premises used for commerce, finance and retail trade (which received no relief) there is often an element of local monopoly which makes them suitable objects of taxation.”⁵³ On the injustice and unscientific character of the rating system there is no dispute. The remedy is the question at issue.

Grants Money

The loose, rough and only partial remedy adopted is the system of Government grants. It grew up casually,

⁵⁰ Sydney Tatchell; President, Building Industries National Council, *Times*, December 31, 1936.

⁵¹ *Agenda*, L.C.C., July 14, 1936.

⁵² Wilson Fox; *Rating of Land Values*; Appendix I.

⁵³ G. Armitage Smith; *Principles and Methods of Taxation*; 11th Edit. (1935) p. 184.

in response to increasing demands for aid from local authorities. Then for a period the Legislature thrust more and ever more responsibilities upon the councils and to win their assent was compelled to raise the sum of the grants in supplement of rates. Parliament arrested that process in 1929. But the check was only temporary. Year by year the "grants money" increases again. And with every increase the associations of local authorities complain that the hands of the Central Departments grow more heavy.

The dilemma is not easy to resolve. By its system of audit the Ministry of Health has gradually strengthened control over expenditure, justifying its close supervision by the need of sure protection for the taxpayer. Only certain services provided by the larger county boroughs now remain outside that widespread network of sanctions. In the future, a rational compromise as to the share which the nation shall pay and the local authority contribute, may be established in regard to each of the public services. It would seem that, before such an arrangement could be permanent, the normal tendency of so large a part of mankind to gain a benefit without greater personal expenditure than is unavoidable, must undergo radical change. Is the problem insoluble in a monetary economy and a competitive system? Perhaps its resolution is reserved until a truly co-operative order removes the need for counting costs, as we are compelled to count them now.

For the Chapter generally: *Local Taxation Returns, 1933-34: 80th Statistical Abstract of the United Kingdom: Municipal Year Book, 1937: Reports of the Ministry of Health, 1932-36.*

VI

THE LEGITIMATE AREA OF PUBLIC ENTERPRISE

(a)

WEALTH PRODUCTION UNDER PUBLIC ENTERPRISE COMPARED WITH THE TOTAL NATIONAL OUTPUT

THE PHASE of our subject indicated by the sub-title for this section cannot, as yet, be adequately explored. Statistics of the public service are not sufficiently copious in detail. Nor is there yet the necessary agreement upon the standards to which the statistician shall work. For example, in Part V of the Final Report of the Fourth Census of Production in the United Kingdom, information is forthcoming upon the production of wealth by Local Authorities. Gas, water, and electricity undertakings owned by local authorities—in accordance with the crude use of the term “public utilities” we condemn—are grouped with undertakings of those kinds in the possession of companies.⁵⁴ The figures in Part V of the Report are therefore misleading. They understate the relative importance of local authorities as producers of wealth, and they make it difficult to ascertain the position of gas, water, and electricity companies in the general social scheme. That difficulty could not be overcome but for the different treatment of the statistics relating to the subject in Part IV of the Final Report. There the operations of gas, electricity, and water undertakings in public and company control, respectively, are set out in detail.⁵⁵

⁵⁴ *Final Report of the Fourth Census of Production*, Part V. p. 146.

⁵⁵ *Final Report of the Fourth Census of Production*, Part IV. pp. 461-523.

The following table is compiled from several sections of the Final Report of the Fourth Census of Production. The figures, for Great Britain, are gross values for 1930 :—

Local Authorities' Wealth Production

	£
Value of work done and goods made by local authorities (excluding gas, water, and electricity undertakings)	65,370,000
Gas undertakings : Value of products and work done	20,523,000
Constructional and repair work by employees of local authorities	4,193,000
Electricity undertakings : Value of electricity sold and of work done for consumers	36,866,000
Constructional work, alterations and repairs carried out by employees of local authorities	10,099,000
Water undertakings : Value of water supplied and work done for consumers	18,331,000
Constructional and repair work carried out by employees of local authorities	4,383,000
	<hr/> £159,765,000 <hr/>

The first item in the above table, "value of work done and goods made" includes many activities including the construction, repair and renewal of buildings, permanent way for tramways, tramcar and omnibus building, highways and bridges construction and repair, work on sea walls and embankments, the laying out and maintenance of parks, and similar work in connection with sewers, sewage disposal works, harbours and docks.⁵⁶

The following table showing the gross values of the productions of Government Departments in 1930 appears on p. 146 of Part V of the Final Report. A more detailed statement is to be found on pp. 556-7 of Part IV of the Final Report. The table covers productive work, including repairs. Goods made, or work done by contracting firms is not included.

⁵⁶ *Final Report of the Fourth Census of Production*, Part IV. pp. 456-7.

Wealth Production by Government Departments

	£
Admiralty	12,489,000
General Post Office	11,708,000
War Office	3,320,000
Air Ministry	515,000
Stationery Office and Office of Works	891,000
Ordnance Survey Department	120,000
	<hr/>
	£29,043,000
	<hr/>

The national production of wealth as a whole in 1930 was valued at £3,406,082,000.⁵⁷ The contribution to that sum made jointly by Government Departments and Local Authorities was £159,765,000, plus £29,043,000: = £188,808,000, about one-eighteenth of the national wealth production.

(b)

LABOUR: WAGES AND TRADE UNIONISM

In the productive, administrative, technical, and clerical departments of local authorities, 337,200 persons were employed in 1930. In the productive operations of the Government Departments named in the table above, 91,300 were employed in the same year. The production of wealth by the organs of the States is an extensive business, collectively.

The effort to obtain fair wages for the employees of public undertakings is mainly associated with labour employed by contractors. Where a recognised trade union includes members who perform, for private employers, the same class of work as that which employees of the government or local authorities perform, there have rarely been disputes regarding wages or conditions of labour. Matters have not run so smoothly where the community's employees, engaged upon

⁵⁷ *Final Report of the Fourth Census of Production*, Part V. p. 2.

operations that do not arise in private employment, formed associations for the specific purpose of improving their status. The controlling authorities of the Post Office have been in conflict with its manipulative staff on many occasions. Postmen do not receive adequate wages. The Home Office, Watch Committees of County Boroughs, and the Standing Joint Committees, collectively concerned with the provision of Police, have had difficulty in dispelling discontent from that force. But these examples, it should be stressed, are not drawn from the productive departments of public undertakings.

Fair Wages

The movement for "fair wages" gained prominence on the revision of the Government printing contract in 1884. The Stationery Office was then induced to adopt the London Society of Compositors' rate of wages as a condition required of contractors. Five years later the London School Board resolved that all contractors should pay trade union wages on work for the Board, a decision also adopted by the London County Council. By 1894 it was computed that 150 local authorities had inserted a clause in their contracts requiring the payment of the trade union rate as a minimum.⁵⁸ In later years the principle has been accepted almost without demur. Its application still engages the attention of trade unionists who wish to extend the rule so that only trade union labour can be employed.

The question was brought forward at the Trade Union Congress, 1930. In the following year, Congress was more especially concerned to extend to drivers of commercial road vehicles the provisions of the Road Traffic Act, 1930, requiring the payment of trade union wages to workmen operating public service vehicles. At the 1934 Congress there was lengthy debate upon the question. The resolution asked that contracts be given

⁵⁸ S. and B. Webb; *History of Trade Unionism*, 1919 edit. p. 398.

only to contractors who pay fair wages as a general practice throughout their establishments—a demand less insistent than that of the 1930 Congress when the employment of trade unionists only, in all departments of the contractor's business, had been tabled.

During the debate at the 1934 Congress it was stated, by a speaker who had held office in a Labour Government, that civil servants and officers of local authorities could not regard it part of their duty to ensure that a contractor employed trade unionists only.⁵⁹ At the present time the fair wages clause in contracts generally refers to wages only on the work which the contract stipulates. It is doubtful whether any provision as to the labour employed, especially on work other than work for the contracting authority, would be upheld in law. Extension of the area of production under public direction would meet the difficulty. Rates of wages and the character of the labour employed would then be under public jurisdiction.

(c)

SHOULD PUBLIC ENTERPRISE BE EXTENDED TO FIELDS NOW OCCUPIED BY PRIVATE, OR CO-OPERATIVE TRADING CONCERNS?

There can be but one answer to our question. It may be given in the words of Thomas Hill Green, "My duty is to be interested positively in my neighbour's well-being."⁶⁰ The interests of Society are supreme; they transcend the interests of the State or Individual. Citizens and consumers were not designed as instruments, or materials, to yield profits to capital or traders. If it is clear that the general welfare is subserved by public enterprise, private rights should not

⁵⁹ *Reports of the Trade Union Congress; 1930, p. 377; 1931, p. 477; 1934, p. 351.*

⁶⁰ T. H. Green; *Principles of Political Obligation* (1913) p. 246.

stand in the way. As a general rule the community, in its corporate capacity, should assert its freedom to do whatever it allows the citizens to undertake alone, or in groups. If that principle is not maintained, Society, as a compact body of men united for the common good, is less free than the persons and groups of which it is composed.

Today the community strips itself of certain powers in order to confer rights on individuals. In general terms, Society denies itself the right to produce wealth or participate in trade, in order that any one of its members without limitation, unless his acts are dangerous or offensive, shall be free to win advantage from his neighbour's need. It is improbable that a social philosophy so false and an economic system so wasteful and restrictive, will continue indefinitely. Public enterprise should encroach upon private economic activity as the community becomes aware of the desirable nature of orderly wealth production. Society should then be able to devise the free play of initiative at levels on which it has not been permitted to attain under private enterprise.

Is the future of public enterprise to be limited to the manufacture of war materials, the sale of blue books, and on the part of local authorities, to the limited education they provide, sanitation, and proper care of highways? The view prevailed for more than a century that the public should undertake no service that might yield a profit for a person or a company of shareholders. There are some who now present a variant of that idea. They contend that the Government or a local authority should not enter upon the supply of any article which, sold above cost, provides a surplus or a profit available for distribution among purchasers. They oppose the principle that the necessary organs of Society should be employed, specifically, to raise standards of life and comfort. They contend that the municipality rightly supplies water but would do wrong by selling bread.

The Co-operative Movement

The Co-operative Union, in a report to the Hartlepool Co-operative Congress, 1928, claims such efficiency for the Co-operative Movement that it desires the Legislature to preserve the right to supply food and fuel to those who now can exercise that right. The Co-operative Congress assumes that it will supersede all private and company traders in household commodities, and eventually distribute all supplies on the basis of returnable dividends on purchases. It fails to take account of that large body of consumers to whom a return of part of the market price offers not the least inducement. And it fails to perceive that millions of persons are of families with incomes so small that neither the class of goods nor the prices ruling at the co-operative store come within their limited means.

It is utopian to imagine that the poor can be raised substantially by trade unionism, though it can protect them. A virtually unregulated capitalist order cannot, or will not carry more than a given wage-bill. That may rise as the total productivity rises, but wages will not increase so that every worker can enjoy the moderate standards of better paid artisans. Sir John Boyd Orr,⁶¹ Dr. M'Gonigle,⁶² and the International Labour Office,⁶³ have shown the dire effects of insufficient and improper food upon a large section of the people. They cannot be sacrificed in the name of a theory of dividend payment, as their forefathers were sacrificed in the name of *laissez faire*. Obviously, local authorities are the bodies who should be invested with powers to vend food and fuel on terms that bring the means of life within the reach of every person not actually reported in need of free assistance. A system of relief would still be required for the infirm.

⁶¹ Sir John Boyd Orr; *Food, Health and Income* (1936).

⁶² Dr. G. C. M'Gonigle; *Poverty and the Public Health* (1936).

⁶³ *Worker's Nutrition and Social Policy*; I.L.O. League of Nations (1936).

There are many possible forms of subsidy. If municipal authorities were to provide essential goods, aid would be required from the Exchquer. Prices at which the goods were sold could not cover costs. The deficiency should not fall on ratepayers. Now that the birth rate declines so rapidly that a few years hence the population may not be renewed, it becomes more imperative that nutritive standards are raised. A form of association between the Government, the Co-operative Movement and local authorities should be possible if, presently, the development of the social services proceeds along these lines. It is inconceivable that a Co-operative Movement of working class consumers would resist any extension of public enterprise deemed to be essential for the welfare of working people.

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WHAT IS THE W.E.T.U.C.?

The W.E.T.U.C. is a Committee comprising representatives of twenty-three trade unions, each providing educational facilities for their members by using the machinery of the Workers' Educational Association. The trade unions budget each year for an educational expenditure which includes:—*Scholarships to W.E.A. Summer Schools, and Provision of Scholarships to Week-End and One-Day Schools* organised by the Divisional Committees of the W.E.T.U.C. Most of the Unions also provide *Correspondence Courses* which are arranged by the W.E.T.U.C. through Ruskin College, and, in the case of certain Unions, they make provision that members attending W.E.A. classes may claim remission of their class fees.